



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

DISTRIBUTION STATEMENT A

Approved for public release
Distribution Unlimited

China

TRADE TRANSPARENCY: MOFERT'S Third Set of Regulations on Foreign Trade and Investment

DTIC QUALITY INSPECTED 2

19980129 141

China

TRADE TRANSPARENCY: MOFERT'S

Third Set of Regulations on Foreign Trade and Investment

JPRS-CAR-92-057

CONTENTS

30 July 1992

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

Northern Chestnut Exports More Strictly Controlled [GUOJI SHANGBAO 28 Mar]	1
Unauthorized Trafficking in Dry Silkworm Cocoons Forbidden [GUOJI SHANGBAO 31 Mar]	1
Closer Attention Given Trade Contracts [GUOJI SHANGBAO 28 Mar]	2
Better, Use, Maintenance of MOFERT Vehicles Urged [GUOJI SHANGBAO 14 Apr]	4
Coordinating Rail Transportation of Exports to Ports [GUOJI SHANGBAO 11 Apr]	5
Regulations for Sending Freight by Train From Kowloon [GUOJI SHANGBAO 11 Apr]	8
More Inter-Provincial Transfer Shipments Urged [GUOJI SHANGBAO 11 Apr]	11
Change in Supplier Country Code Numbers [GUOJI SHANGBAO 18 Apr]	11
Better Meshing of Transportation for Export Shipments Needed [GUOJI SHANGBAO 25 Apr]	12
Hong Kong-Bound Railroad Freight Regulations [GUOJI SHANGBAO 25 Apr]	13
MOFERT Regulations on Trade-Related S&T [GUOJI SHANGBAO 18 Apr]	14
Authentication Procedures for New Technology Codified [GUOJI SHANGBAO 16 Apr]	17
MOFERT Work Place Management Regulations [GUOJI SHANGBAO 21 Apr]	20
MOFERT Regulations for Foreign Trade Warehouse Management [GUOJI SHANGBAO 21 Apr]	22
MOFERT Work Place Management Regulations [GUOJI SHANGBAO 18 Apr]	24
Accounting for Processing Imported Raw Materials [GUOJI SHANGBAO 18 Apr]	28

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

1

**Northern Chestnut Exports More Strictly
Controlled**

*92CE0441A Beijing GUOJI SHANGBAO in Chinese
No 4, 28 Mar 92 p 3*

[Article: "Ministry of Foreign Economic Relations and Trade Circular Note on Improved Control Over Procurement and Export of Northern Chestnuts"]

[Text] Chinese chestnuts have traditionally been a specialty sideline agricultural product. Northern chestnuts (Tianjin chestnuts, and Liangxiang chestnuts), which are sold mostly in Japanese markets, enjoy a very high international reputation. In order to safeguard the reputation of Chinese chestnuts in the international market and prevent the outbreak of "warfare," the following regulations have been issued to control the procurement and export of northern chestnuts:

1. Procurement Control

1. The procurement price is to be jointly coordinated by the foreign trade, pricing, and supply and marketing units of Beijing, Tianjin, and Hebei Province, a price coordination meeting is to be held regularly once each year to draw up a uniform coordinated price, supervision and control measures, and punishments. MOFERT, the State Administration of Commodity Prices, the Chamber of Commerce for Importers and Exporters of Food, Native Produce and Animal By-Products are to take an active part in this coordination work.

2. Hebei Province is to act as the central agent for the purchase from producing areas of chestnuts exported by the China National Cereals, Oils, and Foodstuffs Import and Export Corporation. Hebei Province is to act as a purchasing agent for that portion of the chestnut supply that Beijing and Tianjin need for export. In agreements signed between suppliers and customers, the purchasing agent price must be consistent with the price coordinated by Beijing, Tianjin, and Hebei. 3. During the procurement season, the foreign trade, price, supply and marketing, and industrial and commercial departments of Beijing, Tianjin, and Hebei Province are to conduct checks of the procurement situation within the scope of their separate functions. When necessary, MOFERT and the State Administration of Commodity Prices may organize joint inspection teams to conduct spot checks of procurement units. Units that raise prices in an effort to corner procurement are to be punished in accordance with national regulations. Foreign trade enterprises that raise prices to corner procurement are to be punished as circumstances warrant, their participation in export plans halted, or their authority to engage in the export of chestnuts rescinded.

2. Export Control

1. Dealings in Northern chestnuts are to be the exclusive domain of the Beijing Municipal Cereals, Oils, and Foodstuffs Import and Export Corporation, the Tianjin Municipal Foodstuffs Import and Export Corporation, the Hebei Provincial Cereals, Oils, and Foodstuffs Import and Export

Corporation, and the China Cereals, Oils, and Foodstuffs Import and Export Corporation. No other corporations may deal in them.

2. Major producing provinces should draw up export plans on the basis of the foreign market's capacity, the foreign sales channels that have taken shape over the years, and in consideration of priorities. They should also independently prepare a plan for exports to Japan. In order to tightly control the amount exported, in principle, exports that exceed plan should not be approved. Should the foreign market require an increase, MOFERT will provide approval after obtaining the views of departments concerned.

3. Licenses are to be issued strictly in accordance with the limits of licensing authority, export licenses issued on the basis of export plan. Licenses in excess of plan and quota may not be issued. Northern chestnut export licenses may be issued only by MOFERT'S accredited office in Tianjin.

4. To tighten control over exports declared at Customs, exports of northern chestnuts to Japan should be declared at Customs Offices at Xingang in Tianjin, and Qinhuangdao Port. Chestnuts exported by other companies may not be declared at Xingang in Tianjin or at Qinhuangdao.

The Cereals, Oils, and Foodstuffs Import-Export Corporation is responsible for organizing central coordination, for coordinating foreign transactions, for reporting single time transaction prices to Japan once each year, and for holding a small delivery conference with Southeast Asian nations and Hong Kong once each year.

5. All cereal, oils, and foodstuffs import-export corporations dealing in Northern chestnuts must strictly enforce the minimum MOFERT-prescribed price, reducing price differences between the Hong Kong and the Japanese markets.

3. This regulation becomes effective as of 10 September
MOFERT—10 September 1990

**Unauthorized Trafficking in Dry Silkworm Cocoons
Forbidden**

*92CE0441B Beijing GUOJI SHANGBAO
No 4, 31 Mar 92 p 2*

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT), State Administration for Industry and Commerce, Ministry of Supervision, and State Administration of Commodity Prices Circular on Strict Prohibition of the Purchase of and Illegal Profiteering in Dried Silkworm Cocoons"]

[Text] Fresh silkworm cocoon procurement continued to improve in 1992 with the harvesting of a bumper crop of spring cocoons, the quality of which has risen. In some major producing areas, however, some units and individuals have violated State Council regulations on centralized procurement and dealing in silkworm cocoons. The problem of illegally purchasing and profiteering through the resale of dried cocoons at a high price is fairly serious, with the result that the drying (or sun-drying) of cocoons by silkworm producing peasants has increased greatly. This has seriously hurt both silkworm procurement procedures and silkworm

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

cocoon quality. Unless halted at once, it may set off a new "silkworm cocoon war." For this reason, the following circular notice is issued.

1. Inasmuch as pertinent State Council regulations provide that all dealings in dried silkworm cocoons (including dry, sun-dried, and semi-dry cocoons) are to be centrally conducted by the China National Silk Corporation and constituent branch companies, procurement and profiteering from the sale of dry cocoons, and cocoons that the peasants have dried or partially dried themselves is strictly forbidden for other units and individuals. In places where peasant drying of cocoons has occurred, measures must be taken to halt or dissuade peasants from so doing in order to block all illegal channels for the buying and selling of dry cocoons. Units that the China Silk Corporation has commissioned to act as its agent for the drying of silkworm cocoons must turn over all their dry cocoons to the local silk corporation or designated mills. They may not sell them themselves. Following the conclusion of fresh cocoon procurement, the amount of fresh cocoons that units receive for drying is to be compared against the amount of dried cocoons they turn in. No unit or individual may purchase or sell dry cocoons for profit across province boundaries.

2. Units or individuals that illegally purchase or profiteer from the sale of dry cocoons are to be punished as speculators and profiteers by local industrial and commercial administrative organs. All of their merchandise or illegal gains are to be confiscated, and they are to be fined as pertinent regulations permit. Industrial and commercial administrative organs are to coordinate with each other in the investigation of profiteering from the sale of dry cocoons from other provinces or municipalities, returning the cocoons to the place of origin in cases where an agreement exists. Where no agreement exists, the cocoons are to be handled locally in accordance with regulations. Units and areas in serious violation of regulations against profiteering in the sale of dry cocoons are to be held liable by supervisory units.

3. In order to halt the illegal buying and selling of dry cocoons at its source, a crackdown must be made against the buying and selling at high prices of milled silk. Uniform state-set prices must be strictly enforced for the silk from mills that all jurisdictions produce. There are to be no disguised price rises on various concocted pretexts. Violators are to be prosecuted by price examination units, and punished in accordance with *State Administration of Commodity Prices Punishment Regulations For Price Violations*.

4. The people's government and agencies in charge at all levels in silkworm cocoon producing regions are to pay close attention to the foregoing task, resolutely eradicating this hidden danger of illegally buying and profiteering from the sale of dry silkworm cocoons in order to maintain long-term stability in procurement and dealings in silkworm cocoons. Silkworm corporations in all jurisdictions must steadily perfect responsibility systems for those who receive cocoons for drying in order to plug loopholes at every step of the way as a means of laying a foundation for future good work in procurement.

11 September 1990

Closer Attention Given Trade Contracts

92CE0441C Beijing GUOJI SHANGBAO in Chinese
No 4, 28 Mar 92 p 3

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Regulations on Control of Export Contracts"]

[Text] In order to protect and improve China's foreign trade reputation, and maintain the basic principle of "honoring contracts and maintaining trustworthiness," efforts must be made at every step of the way to improve the rate at which export contracts are honored, from the conclusion of export deals to the delivery of export goods and the safe receipt of payment, a good job being done in administering and managing foreign economic relations and trade enterprises; hence the following regulations:

1. Close Attention to the Honoring of Export Contracts

(a) The honoring of export contracts is an important responsibility of leaders in foreign economic relations and trade enterprises at all levels. They must diligently improve leadership of contract management to ensure the on-time fulfillment of contracts. They must regularly instruct the rank and file in order to improve their awareness of the solemnity of contracts and to improve their sense of responsibility about fulfilling contracts. They must also provide needed education in the law. Professional personnel must undergo specialized training from the signing of contracts to their examination and verification in order to be able to undertake this work.

All foreign economic relations and trade enterprises must designate persons responsible for contract management as an organizational means of ensuring the regularization of contract management work. Enterprises must perfect their internal contract routing procedures, concluding contracts strictly according to contracting authority.

The fulfillment of export contracts on time at the stated quality and in the stated amounts is to be an important ingredient in the professional assessment of foreign economic relations and trade enterprises at all levels.

(b) Foreign economic relations and trade administrative organs must act in a spirit of seeking truth from facts in handling transaction; they must not sign redundant contracts. They must regularly supervise and prod enterprises in the honoring of export contracts, help enterprises assemble sources of export goods, supervise the quality of export commodities, make arrangements for the provision of packing materials, and coordinate the scheduling of different modes of transportation.

2. Improvement of Export Contract Quality

(a) Before a contract is signed, full consideration should be given to the amount of merchandise that sources of supply are able to provide so as not to sell more than is available. In spot transactions, no more than the amount in warehouses should be sold. In selling futures, full consideration must be given to the amounts that can be procured. Contracts for

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

3

quota commodities must be handled in accordance with the quota amounts and pertinent regulations.

(b) Prudence must be exercised in the choice of customers. Customers must be chosen who are trustworthy and whose ability to do business is sound. When dealing with customers of unknown trustworthiness, transactions must be controlled and leeway taken.

Consideration should be given to halting contacts with customers whose trustworthiness is poor and who have not lived up to their contracts several times.

(c) Shipping conditions must be taken fully into account before contracts are signed. Loading and shipping times, destination ports, and other transportation conditions must be worked out clearly and concretely. Once a contract has been signed, the shipping unit must be contacted as early as possible to make very sure that transportation by different modes of transportation is dovetailed.

(d) Foreign contracts (or sales confirmations) must be handled realistically, including detailed required clauses. In addition, the duties and responsibilities of both the buyer and the seller must be set forth clearly. Clauses pertaining to damages from any party in violation of the contract must be prepared, and contract clauses must be clearly and sensibly regularized. Except for some agricultural by-products that are produced seasonally and sold annually, in general, no tentative price contracts are to be signed in order to avoid problems and mutual bickering, and to put a stop to fraudulently obtaining licenses and the signing of false contracts.

3. Establishment of Contract Honoring Responsibility Systems To Improve the Contract Management System

(a) All foreign economic relations and trade enterprises must establish position responsibility systems for managers, section chiefs, and personnel in charge of foreign sales, goods supply, contracts, storage and transportation. They must make a cooperative division of labor, and share responsibility for contract enforcement and fulfillment.

(b) Establish and Perfect a Contract Progress Management System

A good job is to be done in keeping records and statistics on contract progress. Systems must be set up to record and keep statistics on contracts from the time that a deal is struck to the preparation of goods, shipment, and collection of payment, as well as claims for damages against the foreign party, and compensation negotiations in order to permit understanding and to keep abreast of the entire process of fulfillment of an export contract pertaining to goods supply, issuance of licenses, hiring of transportation, shipment, and payment of foreign exchange. All relevant correspondence and telegrams, vouchers, and documents are to be kept in file folders for reference. For every step in export transactions, a contact system and a review system must be set up to enable units concerned inside and outside the enterprise to become informed of that status so they can promptly plan their work.

Should mistakes be discovered in our allocation of goods, trademarks, customs declarations, invoicing, delivery of goods, or shipment in the course of carrying out the contract, they must be promptly reported, adjudicated rapidly, and proper amends made to avoid unnecessary losses.

(c) All foreign economic relations and trade enterprises must conscientiously prepare for the "four contingencies" regarding economic contracts, (namely, the contingency of having both documents and goods, the contingency of having documents but no goods, the contingency of having no documents but having goods, and the contingency of having neither documents nor goods) analyzing and making sure that documentation, cargoes, land transportation, and shipping are all in order. The contract progress management system and the "four contingencies" analysis, as well as knowing at all times the status of the enterprise's exports can be used to reveal pertinent problems with "documentation, cargoes, land transportation, and ships" in the course of carrying out contracts in order to be able to prod personnel concerned to take actions to solve existing problems. In the shipping process, advance receipt and personal signing of bills of lading is strictly forbidden.

(d) Economic contracts must be scientifically managed, computerization and modernization gradually introduced.

4. Contracts on hand are to be examined regularly—at least once every quarter. Contracts that cannot be honored on time should be reported to those in charge. Following approval, the other party should be consulted for prompt satisfactory handling of the problem in order to maintain the integrity of contracts.

5. A strict document verification and control system must be established in close coordination with the banks to reduce errors. All documents received must be registered, and checks conducted to determine whether provisions contained in credit documents are consistent with contract provisions in order to guard against businessmen preparing unauthorized documents, or making additions or deletions to documents as they see fit. Customers should be promptly contacted to revise clauses in credit documents that we find unacceptable, such problems should be solved prior to shipment.

6. All foreign economic relations and trade enterprises must establish and perfect foreign exchange control systems. Once merchandise has been shipped, processing of payment should be done quickly as different collection methods require. In addition, checks on the collection status of long-term credit documents, on collection in the absence of documents, and on sales by mail should be improved. In cases in which the stipulated time period has been exceeded without receipt of payment, bank assistance should be sought in pressing for payment.

7. Claims for damages and settlement of damages must be undertaken with a view to safeguarding the country's reputation, seeking truth from facts, and a serious approach. When necessary, the facts may be investigated by commercial organs abroad, trade teams traveling outside the country, or business examination units for diligent and timely handling. We must conscientiously handle cases in

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

which the other party claims damages and we make settlements. Responsibility for settlement of damage claims must be made clear in accordance with domestic and foreign economic contracts law, indemnification paid as appropriate, and goods returned as appropriate. Financial units concerned should supervise and assist, and banks should positively support the handling of foreign settlement of damage claims. Those bearing main responsibility for damage claims are to be criticized and punished.

8. Establishment and perfection of a customer management system. All foreign economic relations and trade enterprises should manage customers better, establish and improve customer files, make detailed notes of professional contacts with customers. They should particularly improve checks to find out about brokers and exclusive sales agents. Once each year an analytical ranking of customers should be made. Customers about whom derogatory information exists, and those who have caused us economic losses in our contacts with them, are to be reported to the authorities concerned for attendant actions to be taken.

9. The economic contracts law of the People's Republic of China is to be conscientiously enforced, economic contracts signed with goods suppliers, and with communications and transportation units, all matters handled in accordance with economic contracts.

10. Economic relations and foreign trade departments (commissions and bureaus) in all provinces, autonomous regions, directly administered municipalities, and municipalities listed under plan may draw up reward and punishment measures in accordance with the foregoing regulations and assume responsibility for their implementation.

11. This regulation is to be supervised and enforced by MOFERT, and by economic relations and trade departments (commissions and bureaus) in all provinces, autonomous regions, directly administered municipalities, and municipalities listed under plan.

In all cases in which previous regulations conflict with this regulation, this regulation is to prevail.

MOFERT 20 September 1989

Better, Use, Maintenance of MOFERT Vehicles Urged

*92CE0441D Beijing GUOJI SHANGBAO in Chinese
No 4, 14 Apr 92 p 2*

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Circular on Improved Management of Vehicles Used in Foreign Trade"]

[Text] As the volume of China's imports and exports increases, the number of trucks used in foreign trade has grown to nearly 20,000 vehicles and the number of people to a contingent of tens of thousands. In recent years, thanks to the leadership of foreign trade bureaus in all jurisdictions, great achievements have been made in the fulfillment of foreign trade transportation tasks, and in the improvement of administration and management. Nevertheless, quite a few problems also exist, chief of which is the lack of a body of technical controls over, and an effective repair and

maintenance system for, the existing vehicles. Uniform requirements and concrete evaluation standards are lacking regarding production quotas and technical norms, as well as for the consumption of all materials. Consequently, some vehicles have worn out prematurely; accidents have increased; consumption and waste of fuel and materials is alarming; costs have risen; and the condition of the vehicles has declined, all of which must arouse the serious concern of leaders at all levels. In order to improve vehicle management, safeguard MOFERT's self-transport capabilities, improve transportation efficiency, lower transportation costs, ensure safety in production, and better fulfill foreign trade transportation tasks, the following circular notice is issued in connection with the current situation:

1. Foreign trade bureaus in all provinces and municipalities are to conscientiously improve organizational leadership for the technical control of vehicles. Foreign trade branch corporations having a fairly large number of vehicles should have a responsible comrade take charge of this task. All foreign trade motor pools, vehicle repair shops, and foreign shipping branch corporations should appoint a technical deputy in charge and set up attendant technical management functional units or full-time work personnel, rapidly building up their technical management strength and establishing a technical management responsibility system. They should choose the most outstanding people from among the incumbent technical personnel and technical workers to take responsibility for this work, making full use of functional units and technical personnel at all levels, making them responsible for a division of labor under leadership of CPC committees at all levels to do a good job of technical management of foreign trade vehicles.

2. Technical management must be earnestly upgraded, and basic work resolutely improved. The principles of "scientific management, proper use, regular maintenance, and repair as needed" must be conscientiously put into effect. Vehicle technical management units must establish a vehicle technical management system that is in keeping with local transportation agency pertinent regulations as they relate to the units own circumstances. They must draw up technical norms, technical standards, and various economics of technology quotas for the main model vehicles, improve technical inspections and the supervision of safety, and improve the quality of maintenance. Foreign trade motor pools and vehicle repair shops must establish vehicle (or equipment) technical files, perform major overhauls of vehicles and equipment regularly, and make assessments and examinations. They must organize spot repairs in connection with the annual inspection of vehicles to improve the vehicle in-service rate in order to satisfy foreign trade procurement, export, and transportation needs.

3. Firm attention to grass-roots work, restructuring motor pools and repair shops. All foreign trade branch corporations and local foreign trade bureaus are to set up a table of organization, set the number of personnel, and set the number of vehicles on the basis of their foreign trade transportation tasks. They must also do more to build motor pool and repair shop leadership teams, founding a regular production order. Foreign trade units that do relatively little

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

5

procurement in which the amount of available transportation is greater than the amount required for hauling, or motor pools that have been hauling mostly goods for society as a whole for a long time should make needed adjustments. Inland prefectures (or cities) having little foreign trade materials, which do not need several foreign trade motor pools at the same time, should merge existing motor pools as a means of avoiding overlapping organizations that waste manpower and transportation capacity.

All foreign trade motor pools should pay close attention to operating safety. In driving and maintenance at all echelons, they should conserve fuel, tires, and minor maintenance expenses, doing all possible to keep vehicles in good repair, and send to the repair shop vehicles requiring major overhauls. Foreign shipping motor vehicle repair shops are responsible for major repairs of specialized corporation motor vehicles. They should persevere in carrying out a policy of quality first primarily in repairs; adopt effective measures to improve the management of production; increase maintenance services; improve the man-hour utilization rate, the equipment utilization rate, and the labor productivity rate; strive to lower vehicle repair costs; and make good quality repairs on time.

The wide variety of vehicle models in various foreign trade units in some provinces, municipalities, and autonomous regions nowadays are causing a series of problems for management vehicle maintenance. This problem urgently needs to be resolved. It must be looked at in terms of the overall situation, the principle of "mostly centralized management for imported vehicles, and mostly decentralized use of Chinese-made vehicles" should be applied in a general readjustment so that the same model vehicles are grouped together in order to simplify maintenance, cut down on the stocking of spare parts, reduce the amount of money tied up, and lower transportation costs.

4. Major efforts should be made to innovate and tap potential to improve vehicle utilization efficiency. All units having vehicles must be organized to make fullest use of available mechanical equipment, to make their own innovative machines and tools, to get rid of heavy manual labor, to practice civilized production, to realize the "four modernizations" (use of pneumatic and hydraulic tools for disassembly and assembly, mechanization of the washing and conveyance of materials, making repairs on stands, and using instruments for technical testing) as quickly as possible. Motor vehicle repair shops must actively adopt new skills and new technologies to solve key problems in production technology, doing a good job of processing and producing parts under centralized planning arrangements. The "tenth of a cent" spirit must continue to be carried forward, repair of the old and use of the discarded combined with innovation and the tapping of potential. Repair, transformation, substitution, welding, patching, painting, electroplating, riveting, and inlaying skills must be put to use to solve problems resulting from insufficient spare parts. The stage must also be actively set to the mechanization and the semi-mechanization of foreign trade vehicle hauling, loading and unloading, and maintenance.

5. Good work in vehicle maintenance materials management and spare parts supply is necessary to ensure vehicle repair quality and to improve the vehicle in-service rate. The processed steel and wood that MOFERT issues should be issued proportionally for use in vehicle maintenance. Special organs must be designated responsible for managing imported vehicle spare parts (cold storage vehicles and dump trucks excepted), centralized planning, centralized ordering, and centralized issuance and allocation for use instituted so that limited foreign exchange and imported parts play a greater role. Imported parts that grass-roots motor pools need should be made a part of the ordering plans that provincial corporations prepare. Spare parts for Chinese-made vehicles should be purchased according to plan, thereby changing past practices such as many different organizations placing orders, ill-advised importing, decentralized management, lack of coordinated allocation, and waste resulting from overstocking.

6. Attention must be given to technical training in order to improve the scientific and technical management level and the vocational capabilities of cadres in charge of vehicles, technical personnel, drivers, and auto mechanics. On-the-job training must be provided in an organized and planned way, short-term training classes held, and large scale training given in basic skills as vocational requirements dictate. During 1992, MOFERT's transportation bureau will invite 50 technicians from the Suzuki, Hino, and Mitsubishi motor vehicle manufacturing plants, and from the Yasaka High Pressure Oil Pump Test Stand Manufacturing Plant for technical exchanges on motor vehicle maintenance. Foreign trade bureaus concerned are invited to pass this information along and to organize its dissemination.

It is hoped that the foregoing particulars will be studied and implemented

MOFERT—9 May 1979

Coordinating Rail Transportation of Exports to Ports

*92CE0447A Beijing GUOJI SHANGBAO in Chinese
11 Apr 92 p 2*

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Trial Measures on Freight Transportation for Foreign Trade Export Merchandise in Port Areas under centralized administration]

[Text] These measures have been drawn up for the purpose of improving contact, mutual cooperation, and close cooperation on transportation matters between foreign trade bureaus in port areas and foreign trade bureaus in inland provinces and cities for conscientious implementation of a policy of safety, speed, accuracy, and conservation, to do a good job on railroad transportation for overseas-bound cargo in port areas under centralized administration, and to dovetail land transportation arrivals with ship departures, cargo, and port activity for on-time, quality, and quantity fulfillment of export shipping tasks, to better serve the development of foreign trade and contribute to the performance of all tasks during the new era.

TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment

6

1. Scope

All transportation work done by railroads serving the ten port areas of Dalian, Qinhuangdao, Xingang, Yantai, Qingdao, Lianyungang, Huangpu, Zhanjiang, and Ningbo, as well as the ninth (or the 10th) loading and unloading area served by the special line of the Shanghai South Station Zhanghuabin Harbor Affairs Bureau, and the special line of the Shanghai South Station Huigang Harbor Affairs Bureau is to be conducted in accordance with these regulations in conducting professional contacts.

2. Contact Units:

Inland provincial and municipal foreign trade bureau units to be contacted on transportation to various ports include:

- for merchandise going to Dalian Harbor, contact the Liaoning Provincial Foreign Trade Bureau;
- for merchandise going to Yantai and Qingdao harbors, contact the Shandong Provincial Bureau of Foreign Trade;
- for merchandise going to the Port of Shanghai, contact the Shanghai Municipal Bureau of Foreign Trade;
- for merchandise headed for Qinhuangdao Harbor, contact the Qinhuangdao Office of the Hebei Provincial Foreign Trade Bureau;
- for merchandise going to Lianyungang, contact the Lianyungang Foreign Shipping Branch Corporation, which is authorized by the Jiangsu Provincial Bureau of Foreign Trade;
- for merchandise going to Huangpu Harbor, contact the Guangdong Provincial Bureau of Foreign Trade;
- for merchandise going to Zhanjiang Harbor, contact the Zhanjiang Shipping Office, which is authorized by the Guangdong Provincial Foreign Trade Bureau;
- for merchandise destined for Xingang, contact the Tianjin Municipal Bureau of Foreign Trade;
- for merchandise destined for Ningbo, contact the Zhejiang Provincial Bureau of Foreign Trade.

3. Preparation of Monthly Shipping Plans

(a) In accordance with foreign trade contract regulations, before the fifth of each month, all port foreign trade units are to notify foreign trade units in all inland provinces and cities about the names, specifications, quantities, and dates of delivery, as well as about the availability of connecting transportation at the port, the status of merchandise on hand in the port, and specific requirements. Inland provincial and municipal foreign trade units in determining bases of their sources of goods should promptly draw up their following month's plans for railway transportation from the ports under centralized administration.

(b) Inland foreign trade units that commission foreign trade units at a port to act as agents for ocean transportation of their export merchandise should first obtain the agreement of the harbor foreign trade unit; then draw up the following

month's plans for railway transportation to the ports under centralized administration, and then notify each foreign trade bureau.

(c) All foreign trade unit agents in charge of transportation are responsible for convening vocational, planning, storage and transportation offices to examine and verify, and to determine the following month plans for railroad transportation to the ports under centralized administration on the basis of the kinds, amounts, and specifications of merchandise to be delivered, the delivery times, the countries of destination, ship schedules, the status of licenses, and amounts in the port, together with availability from sources of supply.

(d) In accordance with requirements of the *Foreign Trade Shipping Plan System*, all foreign trade units are to provide the Ministry of Railways with their following month's plans for transportation to the port under centralized administration. They must additionally notify each foreign trade bureau and corporation. Following collation, the shipping bureaus and corporation will provide timely notification to the MOFERT Shipping Bureau.

(e) Inland provincial and municipal foreign trade bureaus are to telephone or telegraph notification to the harbor foreign trade bureau (or a foreign trade bureau mandated unit) concerned of the following months plans for transportation to the ports under centralized administration prior to the 11th of each month (before the 10th for cargoes destined for Dalian, before the 8th for Zhanjiang, and before the 7th for Huangpu).

For cargo such as soybeans and rice, which a fairly large number of railroad stations ship in fairly large amounts, telephoned or telegraphed notice the total number of railroad cars, the total tonnage, and the countries of destination for each commodity can be given by telephone or telegraph.

4. Balancing and Dovetailing Transportation Plans:

(a) On the basis of the notification from provincial and city foreign trade bureaus about the following month's transportation plan regarding port areas under centralized administration, together with a given province's plans for port areas under centralized administration, port foreign trade bureaus are to organize the foreign trade units concerned to conduct planning for the "four contingencies" [sipai - 0934 2226] (having shipping documents and having cargo, having shipping documents but no cargo, having no shipping documents but having cargo, and having neither shipping documents nor cargo). They are to use this information together with shipping schedules and the status of port activity to determine the volume of cargo in port areas under centralized administration for shipment during the following month. Prior to the 12th day of the month, they, and units concerned, can be responsible for working with the harbor affairs bureau to dovetail the following month's transportation plans for the port areas under centralized administration.

(b) Should ports be unable to accept certain cargo in shipping plans in the specific amounts for any reason, the port foreign trade bureau must immediately telephone or

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

7

telegraph notification of the situation to the trade bureau in the province or city concerned, and the provincial or city foreign trade bureau must notify the branch corporations in the province concerned about the situation.

(c) Port and inland province and municipal foreign trade bureaus, and all import-export corporations are to send personnel to take part in conferences on balancing plans for transportation for port areas under centralized administration that the MOFERT Transportation Bureau convenes on the 16th of each month (on the 14th in February). Personnel required to attend the conferences are as follows:

1. Those reporting on the status (including problems, actions taken to solve them and with what results, and experiences) of fulfillment of previous month's transportation for port areas under centralized administration, as well as major problems existing in the carrying out of transportation plans for the current month.

2. Those reporting the port's acceptance of cargo for shipment during the previous month, as well as main problems and circumstances existing in accepting cargo for shipping during the current month.

3. Those providing briefings on circumstances pertaining to the harbor bureau's dovetailing of plans for transportation for port areas under centralized administration. In order to obtain a consensus on planning, all import-export corporations should be prepared to attend the three part balancing conferences. Should the conference decide to reduce plans, it should so state clearly in the seeking of truth from facts, propose requirements, and discuss the matter to find a solution.

(d) Following the conference, the provincial and municipal foreign trade bureaus concerned should prepare two copies of this three part verified transportation plan giving ports, the names of corporations, the names of commodities being shipped, the names of the stations initiating shipments, the number of the freight cars, and the tonnages, sending this to the MOFERT's Transportation Bureau.

(e) Individual foreign trade bureaus or corporations in charge should themselves decide about personnel from branch corporations in provinces concerned or from prefect foreign trade units who want to attend the conferences on the balancing of transportation plans.

5. Organizing the Loading for Delivery and Acceptance for Shipment of Cargo in Port Areas Under Centralized Administration:

(a) MOFERT's Transportation Bureau will issue to the provincial and municipal foreign trade bureaus concerned the following month's three part transportation plan for port areas under centralized administration, and it will issue a copy of the transportation plan for cargo at the centrally administered ports of Qinhuangdao, Lianyungang, and Zhanjiang to the Qinhuangdao Office of the Hebei Provincial Foreign Trade Bureau, the Lianyungang Foreign Shipping Branch Corporation, and the Zhanjiang Foreign Shipping Office to provide them with a comprehensive picture of the overall situation regarding port entry plans.

(b) All provincial and municipal foreign trade bureaus must verify all railroad-approved succeeding month transportation plans for cargo in centrally administered port areas against plans issued by MOFERT's Transportation Bureau. Should any discrepancies in figures be found (omissions or reductions by the railroad), the reasons should be ascertained at once and the railroad contacted for resolution. Should resolution prove difficult, a report should be made to MOFERT at once to be solved with assistance from the Transportation Bureau.

(c) Port foreign trade bureaus must provide ship arrival and departure dates monthly to the provincial and municipal foreign trade bureaus concerned.

Provincial and municipal foreign trade bureaus concerned are to actively organize loading for shipment on the basis of ship sailing dates and port requirements; however:

1. Shipment of cargo for which no deals have yet been concluded, or for which no recipient has been designated, as well as cargo that the port is unable to accept for the time being is to be delayed.

2. Cargo that do not meet export specifications must be stopped; they may not be approved for shipment in order to avoid having them arrive at the port and cause port congestion and losses.

3. Cargo requiring commercial examination, quarantine, or customs clearance for which procedures have not been completed or for which shipping documents have not been obtained, as well as cargo whose packaging has been damaged, on which markings are not clear, or cases on which the merchandise numbers or the case numbers are unclear making determination of the nature of the cargo impossible may not be approved for shipment in order to avoid problems in accepting the merchandise at the port of arrival.

(d) After cargo is shipped, the consignor is to telephone or telegraph notification at once to the receiving units providing the name of the merchandise shipped, the shipping station, the train number, and the tonnage. (Export cargo for which the Lianyungang Foreign Shipping Branch Corporation acts as shipping agent are to be handled in accordance with provisions of *Consignee Contact Methods for Export Commodities*).

(e) Port foreign trade bureaus are to maintain close contact with the harbor affairs bureau on three part verified transportation plans for cargo in centrally administered port areas, working with the port on the receipt and unloading of shipments. In addition, they should discuss with the port authorities the amount of foreign trade cargo of different kinds that can be stored (or warehoused) at the port in order to ensure the entry of merchandise into the port according to plan.

Should any of the following situations be encountered, the provincial or municipal foreign trade bureau concerned should be contacted at once for help in effecting coordination:

1. The port urgently needs cargo for loading aboard ships.

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

2. Changes in ship schedules (such as ship cancellations or delays that result in the ships not reaching the port during the current month).

3. Arrival at the port of merchandise that does not comply with export regulations.

4. Discrepancies between the amount of merchandise arriving at the port and the number of freight cars sent.

5. Accidents in the shipment of merchandise.

(f) When provincial and city foreign trade bureaus receive reports from foreign trade bureaus about the arrival in port of cargo that does not meet export requirements, they should immediately prod the units concerned to look into and handle the situation.

(g) Should merchandise arriving at the port be tied up in train congestion or remain in storage for a long period of time because of insufficient port capacity or some other reason, the port foreign trade bureau must actively devise means to solve the problem, and report the situation to the provincial and municipal trade bureaus and import-export corporations concerned, as well as to the MOFERT's Transportation Bureau in order to help solve the problem.

(h) Should the railroads stop loading or limit shipments in the course of carrying out shipping plans, should a port be unable to accept shipments for unloading, or should changes occur in the ability of suppliers to supply staple merchandise, the port and inland foreign trade bureaus concerned must look into the situation at once and take the necessary actions. They must also report the situation at once to MOFERT's Transportation Bureau to ask for help.

6. Handling the Need for Railroad Cars Outside the Plan:

(a) For cargo that must be loaded for shipment because of the unexpected arrival of a ship during the current month, expiry of letters of credit, or the urgent conclusion of a foreign trade deal, railroad cars outside the plan may be provided.

(b) The consigning unit must fill out six copies of a *Centrally Administered Ports* form for railroad cars outside the plan to request cars outside the plan. Following discussion and agreement with the port foreign trade unit, and acknowledgement with the affixing of an official seal by the foreign trade bureau, the three parts are to be sent for examination and approval.

The port foreign trade unit must notify the port foreign trade bureau of the port authority's agreement to accept the request for railroad cars outside plan so that it can keep abreast of the situation.

(c) When import-export corporations report the request for railroad cars outside the plan to centrally administrated ports, after first obtaining approval from the port authorities, and after examination and approval of the three parts, they must notify the port foreign trade bureau concerned and the foreign trade bureau in the consigning province or city granting the approval.

(d) Shipments arriving at Lianyungang must go through the Lianyungang Foreign Shipping Branch Corporation. Only

following port authority agreement may a request for railroad cars outside the plan be made. Following the three part examination and approval, the reporting unit must report to the foreign trade bureau, and telephone the status of the plan's approval to the Lianyungang Foreign Shipping Branch Corporation.

7. Attachment:

(a) In order to help implement and enforce these contact methods, foreign trade bureaus in all ports and provincial and municipal foreign trade bureaus concerned may, following joint consultation, draw up their own specific methods for making contacts for transportation work as their own circumstances warrant and using this method as a guide, report them to MOFERT's Transportation Bureau for the record.

(b) Cargo shipped to foreign trade warehouses in the various ports fall under the category of inter-provincial transfer shipments. Although contacts in connecting with their transportation does not fall within the scope of this regulation, foreign trade bureaus in the ports concerned may draw up contact methods for transportation work that meet their own circumstances in order to improve control over this work.

(c) This contacting method is to be put into trial use effective 1 January 1980.

MOFERT 5 October 1979

Regulations for Sending Freight by Train From Kowloon

92CE0447B Beijing GUOJI SHANGBAO in Chinese
Apr 92 p 3

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) and Ministry of Railways Temporary Measures for Transporting Goods on Trains Deadheading From Kowloon"]

[Text] With the rapid development of China's foreign trade and the increasing frequency of China's foreign contacts, the volume of foreign trade imports passing through Shenzhen, diplomatic materials and exhibits from all countries coming to China, as well as exhibits returning to China following exhibition abroad have steadily increased. In order to reduce intermediate transportation links and speed up the transportation and transfer of merchandise, a decision has been made following study that until such time as there is direct through freight traffic on the Guangzhou-Kowloon Railroad, in addition to continued handling in accordance with existing train leasing methods, the following measures are to be temporarily instituted for the use of otherwise empty trains returning from Kowloon to transport carload and odd-lots of packaged imported goods on through trains.

1. Scope of the Shipment of Goods

Foreign trade imports, compensation trade, and raw materials imported for processing. Materials imported for assembly, cooperative production, and cooperative plant cooperation, as well as for other processing and production on behalf of foreign traders, goods for foreign embassies and

TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment

consulates in China and in third countries (to the arrival station in China), goods that China's delegations abroad have commissioned the Hong Kong Asia Trading Corporation to deliver, display goods sent to China by all countries, and China's items displayed in exhibitions abroad that are being returned to China, materials from overseas Chinese and Hong Kong and Macao compatriots for use in helping build up their native villages, as well as other such carload goods as may be agreed upon ad hoc may be transported on otherwise empty trains returning to China. Odd-lot shipments destined for the same station in China may be processed in Kowloon for direct shipment in a car designated for odd-lots when there is no customs at the station of destination. Processing of other odd lots, dangerous goods, and bulk goods must be agreed upon in advance. Live animals and poultry, and pork products (including fresh meat, skin and bones, bristles, intestines, and blood powder) may not be shipped.

2. Units Handling the Loading of Imported Goods on Otherwise Empty Returning Trains

(a) The Hong Kong Consignor: The Hong Kong China Resources Company and subordinate organs, the Hong Kong China Travel Service, and the Hong Kong Asia Trading Corporation.

(b) The Shenzhen Recipient: The Shenzhen Office of the Guangdong Provincial Branch Corporation for Foreign Shipments, the Hong Kong branch of the China International Travel Agency, and the Shenzhen Port Agency of the Guangdong Provincial China Travel Agency.

3. Kinds of Trains Used and Inspection Points.

(a) Except for tank cars, refrigerator cars, and poultry cars, all other kinds of cars returning to China may be used. Should a special need arise for the use of a returning refrigerator car, the shipment may be made after the Shenzhen unit receiving the shipment consults with the Guangzhou Railway Bureau and the joint inspection unit at the port of entry.

(b) When freight cars reach the Lohu Bridge on the Chinese side of the border, the Shenzhen office of the foreign transportation company is to give the border defense station one copy, and the Customs two copies of the Hong Kong Travel Agency-provided train manifest (including car numbers and names of goods). While Customs examines the train against the verified car numbers, the border defense will inspect the lead seals and the outside of the cars. If the car door seals and carriages are in good condition, the train may proceed to North Station in Shenzhen. If the lead seals and carriages appear unusual, the Shenzhen consignee is to escort the train to the Shenzhen North Station to conduct an inspection in the company of the border defense and Customs.

(c) Other tasks such as receiving unit receipt of goods, customs inspection, commercial inspection, plant and animal inspection, health inspection, and railroad handling of freight are to be done at the Shenzhen North Station.

(d) When no customs is located at the station of destination of cars designated for direct shipments of odd-lots car, customs formalities will be completed at the arrival station.

4. Matters Requiring Attention in the Handling of Shipments Via Otherwise Empty Returning Trains

(a) Hong Kong Consignor:

1) The Hong Kong China Travel Service accepts commissioning by all consignors to handle transportation of goods via otherwise empty trains returning to China. All goods being imported from Hong Kong must be approved for shipment by the Hong Kong China Travel Service before they can be carried.

2) Goods from organs subordinate to the China Resources Company must be approved by the storage and transportation department of that company before the China Travel Service can be retained to handle shipping procedures.

3) Shipments of imported animals and plants or their products must be licensed by the Ministry of Agriculture, and a quarantine certificate from the shipping country must be provided. Plan material may not be used to wrap imports. Should animal or plant products be found to be ill or contain insect pests, they are to be quarantined locally.

4) Before the fifth of each month, the Hong Kong China Travel Service is to provide the Shenzhen receiving unit with the transportation plan for the following month, and three days before goods are loaded aboard trains, it is to notify the Shenzhen receiving unit of the contents, weight, number of items, station of arrival, recipients of the goods, and the date that the train is to leave the marshalling yards. The Shenzhen consignee is to be notified five days before goods outside plan are loaded for shipment.

5) Before goods are loaded aboard trains, the Hong Kong China Travel Service must assemble them in a safe place where they are to be guarded. At the time of loading, people must be sent to supervise, and to verify markings and numbers of items. Items not listed (including newspapers, magazines, and printed materials from outside the country) are not to be placed aboard trains. After the train is loaded, people should be sent to guard the goods at the station and to escort them until the train leaves the marshalling yards. Before the train leaves the marshalling yards, the exterior of the cars, and the lead seals on the doors must be inspected. Should anything amiss be found with the lead seals or the bodies of the cars, the train may not leave the marshalling yards. Only after the matter is cleared up in Hong Kong may the goods be imported.

6) Cars in good condition that meet health requirements must be chosen for loading. Goods inimical to epidemic prevention or that may induce communicable diseases must undergo required medical processing. After the goods have been loaded, the train's doors and windows are to be closed. The China Travel Service is to affix lead seals to boxcars. The carrying of goods in gondola cars and security methods are to be handled in accordance with regulations pertaining to cargo inside China.

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

7) In order to help the Shenzhen receiving unit in receiving its shipments, making declarations, and forwarding shipments, on the day prior to shipment the Hong Kong China Travel agency must provide the receiving unit with the train numbers for trains leaving the yards, and the number of trains. Following notification, the consignee is to notify all inspection units and the Shenzhen North Station simultaneously

(b) The Shenzhen Recipient:

1) The Shenzhen recipient is to declare all imported goods, pay duties (meaning on goods for which duties must be paid in Shenzhen), and make the goods available for examination. However, the consignees of direct shipments of odd lots are responsible for making customs declarations and paying duties at the station of destination.

2) Should additional manpower be needed for the inspection and random sampling process, the receiving unit is to provide it.

When plant and animal products require unloading and quarantine processing at the port of entry, the receiving unit is to organize the unloading of the trains and the movement of the goods outside the station for processing.

3) Receiving units are to notify the Guangzhou Railway Bureau before the 15th of each month about plans for receiving shipments during the following month (including tonnages, kinds of railroad cars, kinds of goods, and stations of destination). The Guangzhou Railway Bureau must make priority arrangements for shipments included in plan, and notify the Ministry of Railways Transportation Bureau,—a duplicate notice going to the Foreign Affairs Bureau—before the 24th for issuance to the North Station in Shenzhen and to notify the receiving unit as well. For shipments outside plan, the unit receiving shipments is to notify the Guangzhou Railways Bureau via the Shenzhen North Station three days before loading. Only after approval may the cars be loaded. The Guangzhou Railways Bureau is to notify the Ministry of Railways Transportation Bureau, a duplicate notice going to the Foreign Affairs Bureau.

4) Receiving units are responsible for goods from the time imports leave the marshalling yards until completion of shipping procedures at the Shenzhen North Station.

5. Method for Handing Over Goods at North Station in Shenzhen

(a) Should lead seals be found broken on cars that left the marshalling yards, or should the names of the goods, markings, and numbers of items not tally with the manifest, the receiving unit must conduct an examination and notify the China Travel Agency, providing a record of the examination.

(b) If Shenzhen is unable to resolve problems with goods whose packaging is damaged or that do not meet shipping requirements, the China Travel Agency is to be notified at once.

(c) The content, quantity, and condition of imported goods carried on original trains is the responsibility of the consignor and the consignee; the Shenzhen receiving units is responsible only for the number of crates.

6. Method of Inspecting and Consigning Shipments of Goods at Shenzhen

(a) On the basis of the imported goods manifest that the Hong Kong consignor has provided, and according to the degree of inspection required for the type of goods, the unit receiving the shipment is to fill out a declaration and provide documentation such as a trade contract to the Customs, commercial inspection unit, animal and plant inspection unit, and the health inspection units for inspection. Units responsible for conducting inspections must promptly send personnel to conduct inspections once the freight cars have arrived. When inspecting goods, the unit receiving the shipment must have representatives on the scene responsible for moving the goods and opening packages. Direct shipments in cars designated for odd lots on which the lead seals are intact may be inspected at the station of destination.

(b) After imported goods delivered by otherwise empty trains clear the various joint inspection units including customs (with the exception of directly shipped odd-lots in designated cars, which are to be inspected at the arrival station), the receiving unit may complete onward shipping procedures with the railroad. Consigned goods are to be shipped in the owner's packing and be sealed for shipment.

(c) The railroad checks the seals of goods shipped in boxcars, and checks the condition of goods shipped in gondola cars. Should the lead seals have been rendered ineffective, or should anything be amiss with goods shipped in gondola cars, the Shenzhen unit receiving the shipment is to prepare a record and replace the seals.

(d) When imported goods are shipped in otherwise dead-heading trains, the Hong Kong China Travel Agency must notify the Shenzhen units receiving the goods of the kind of train, the train number, the goods carried, the station of arrival, and the consignee after the train has been loaded. The unit receiving the shipment is responsible for notifying the North Station in Shenzhen and all of the inspection units so that inspections may be conducted on the spot and the goods received as soon as the train arrives.

(e) For goods that the Customs must clear at the destination station, the railroad must turn over to the station of destination the Customs' envelope containing the receipt accompanying the shipment.

(f) After the goods have left North Station in Shenzhen, the unit that received the shipment is to notify the consignee.

7. Figuring and Collecting Fees

(a) Transportation fees for goods imported on otherwise empty trains returning to China are to be figured following delivery at North Station in Shenzhen using the railroad freight transportation price schedule.

(b) For trade imports, and for goods and Chinese exhibits displayed abroad that are returning to China that China's diplomatic representation abroad commissions the Hong Kong Asia Trading Corporation to handle, a miscellaneous shipping charge payable in renminbi is to be paid for

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

shipment from Shenzhen to the destination, this charge to be paid at North Station in Shenzhen by the unit receiving the shipment.

(c) Miscellaneous shipping fees from Shenzhen to the station of destination, as well as fees payable by the Shenzhen unit receiving shipment for labor services and quarantine fees for all goods loaded at Kowloon on otherwise empty trains returning to China that relate to compensation trade, the processing of imported raw materials, the assembly business, cooperative production, cooperative factory operation, and other processing and production on behalf of foreign traders, materials of foreign embassies and consulates in China or in third countries, foreign exhibit items arriving in China, and materials (including directly shipped odd-lot goods in designated cars) from overseas Chinese or from Hong Kong and Macao compatriots to support the building of their native villages are to be paid in foreign exchange. If the consignor is responsible for the miscellaneous shipping fees, the China Travel Service is to collect the miscellaneous shipping fees in Hong Kong dollars for the journey from Kowloon to the station of destination. At a later time, the miscellaneous fees collected for the shipment from Shenzhen to the destination station will, on the following day (or if that day is Sunday or a holiday) [portion missing].

More Inter-Provincial Transfer Shipments Urged
92CE0449A Beijing GUOJI SHANGBAO in Chinese
11 Apr 92 p 3

[Article: Several Ministry of Foreign Economic Relations and Trade (MOFERT) Required Principles For Engaging in Inter-Provincial Transfer Shipments"]

[Text] 1. In order to accelerate the flow of foreign trade goods, avoid backtracking in transportation, reduce goods losses during delivery, save on miscellaneous transportation fees, and lower export costs, transfer points must be chosen which facilitate a smooth flow for all export goods and other materials that foreign trade departments in all jurisdictions ship via inland ports or seaports requiring transfer from railroads or other means of transportation.

2. The selection of transfer point need not be limited by administrative divisions. Whenever the direction of flow for transfers in a neighboring province (or autonomous region, and the same applies hereinafter) makes sense, the foreign trade departments of both provinces (abbreviated hereinafter to the consignor and the consignee) should actively organize interprovincial transfers.

3. Branches of foreign shipping companies in transfer points should invoke the spirit of *Summary of the 1990 National Conference of Managers of Foreign Shipping Companies* in active running of an interprovincial transfer shipping agency business. Places that do not have a foreign shipping company branch may have transfers handled by other foreign shipping enterprise units.

4. Interprovincial transfers should be organized on the principle of safety, speed, accuracy, savings, and convenience, and in the spirit of widening avenues to expand the scale of transportation services. Both parties should handle

matters on the principle of voluntary participation for mutual benefit, each bearing responsibility, and practicing mutual coordination and consultation.

5. The consignor must propose a consignment plan on time for turning over consigned goods for warehousing or to a direct transfer point (railroad station or inland waterway wharf). The consignee must warehouse or transfer the goods as mandated, and he must collect a reasonable fixed consignment fee from the consignor in accordance with the principle of making slight profit from each transaction when doing a large volume of business. If the payment of a fixed fee cannot be put into effect for the time being, reimbursement for actual expenses—collecting an increased fee for labor—may be used for gradual transition. Both parties are to sign a consignor-consignee agreement under the auspices of the foreign trade bureaus of both provinces, enforcement of this agreement to be supervised by the foreign trade bureaus of both provinces.

6. When assembling materials for interprovincial transfer, every effort must be made to transfer the goods directly from the point of origin to a train station or wharf for direct loading to trains or ships in order to reduce the number of transfers into and out of warehouses and short-hauls.

7. In cases where a province shipping goods has stationed an organization (or personnel) in a province where transfers take place to ensure a smooth flow, or where some other unit handles transfers at the transfer point, the prevailing system should continue in effect. Foreign trade units at transfer points should create more favorable conditions in an attempt to encourage more consignment business.

8. Materials shipped to all jurisdictions, including means of production, spare parts, packing materials, and promotional sales materials imported from other provinces or countries must also be handled in accordance with the aforementioned principle, abolishing administrative divisional boundaries, selecting sensible transfer points, and organizing interprovincial transfers.

MOFERT 14 July 1980

Change in Supplier Country Code Numbers
92CE0449B Beijing GUOJI SHANGBAO in Chinese
18 Apr 92 p 3

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Circular on a Change in the Use of Supplier Country Identifying Code Numbers Contained in Contract Numbers"]

[Text] With the development of foreign trade in recent years, the number of countries and territories doing trade with China has steadily increased. In the process of signing foreign trade contracts, the *Supplier Country and Territory Identifying Code Numbers* on import markings provided in the attachment to former Ministry of Economic Relations and Trade (80) Trade Transportation [6319/6663] Document 307/585 have been found to be no longer in keeping with requirements for the signing of foreign contracts. In order to make supplier country code numbers in contact

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

numbers more complete, regularized, and standardized, notice about the problem concerned is provided below:

1. Signed contacts containing supplier country identifying code numbers that were prescribed for use in 1989 by the former Ministry of Economic Relations and Trade or that were drawn up by organizations themselves are to continue to be enforced.

2. Following receipt of this notice, newly signed contracts may employ the newly prescribed supplier country identification code numbers.

3. Effective 1 January 1990, the internationally standardized *Supplier Country and Territory Code Number Table* (See attachment for details) is to go into formal use. At the same time the supplier country identification code numbers prescribed in (80) Trade Transportation Document No.307/585 will become invalid.

Following receipt of this notice, foreign economic relations and trade departments and commissions in all provinces, autonomous regions, directly administered municipalities, and municipalities listed under plan are to relay this notice to all foreign trade corporations, industrial and trade corporation, joint ventures, and contractual joint ventures in their own jurisdictions. The Inspectorate General of Customs is also asked to relay it to all Customs branches.

Attachment: Supplier Country and Territory Code Number Table (Omitted)

MOFERT 25 August 1989

Better Meshing of Transportation for Export Shipments Needed

92CE0449C Beijing GUOJI SHANGBAO in Chinese
25 Apr 92 p 3

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Circular on Better Management of Foreign Trade Transportation To Improve the Honoring of Contracts"]

[Text] The following regulation has been prepared for the purpose of conscientious implementation of the spirit of the "Work Conference on Nationwide Emphasis on Contracts, Keeping One's Word, and Improving the Reputation of Foreign Trade" in foreign trade transportation work, and implementation of a foreign trade transportation policy of "safety, speed, accuracy, savings, and convenience to improve the degree to which export contracts are honored for full completion of export shipment tasks this year." All recipients are requested to abide by it.

1. In accordance with the spirit of the State Council, rectification of corporations and enterprises that act as agents for shipping international goods are to be conscientiously rectified and strictly examined; those enterprises that fail to meet requirements contained in Regulations Pertaining to Problems Concerned in the Examination and Approval of Enterprises Acting As Agents for International Goods Shipments, and corporations that fail to safeguard the reputation of foreign trade in their operations, thereby creating an unfavorable image internationally, are to be

outlawed. Foreign trade transportation administrative units at all levels must improve their coordination and guidance of foreign trade shipping work, taking effective action in an effort to improve the accuracy of marine transportation plans and the rate with which railroad car plans are honored so as to change as quickly as possible the negative trend of many marine transportation plans not being put into effect, and an ever increasing decline in the average amount of goods that ships carry.

2. Full advantage must be taken of the network of foreign shipping companies; this should be used as the main channel in organizing and planning the shipment of imports and exports. Foreign shipping companies must adhere to the principle of providing premium service and assuring a priority position for the shipment of exports. Once an order has been received, a diligent effort should be made to find suppliers, make arrangements to book cargo space, secure information about ship schedules, and coordinate the availability of goods with shipping schedules. Strict checks should be conducted, and, when mistakes are found, the concerned companies should immediately be notified for prompt correction. When letters of credit expire before merchandise has been shipped, the exporting company and the foreign importer must work out an extension of the letter of credit. Priority must be given to loading and shipping goods for which a letter of credit is about to expire. All foreign trade corporations and industrial and trade corporations must coordinate closely with foreign shipping corporations, support each other, and adhere to the "four contingencies" system in an effort to do a good job of coordinating the preparation of goods, assembly at the port, facilities at the port and warehouse, railroad activities, and transfer information.

3. The chaotic situation in the management of export shipping documents must be resolutely corrected. All units supplying goods, such as foreign trade units, industrial units, and trade units, must have merchandise ready on time in accordance with contract provisions. They must consign the goods to foreign shipping companies on time, and they may not take it upon themselves to ask carriers to overturn contracts or borrow money in advance against bills of lading, much less may they themselves sign bills of lading. If, in the course of business activities, problems in overturning of contracts or borrowing in advance against bills of lading occur, foreign trade corporations must ferret out the reasons and correct them in earnest. All administrative units in charge of foreign trade shipping must prod specialized corporations and foreign shipping countries to work together in harmony and close coordination, doing everything possible to reduce to a minimum instances of overturning contracts and bills of lading, halt the borrowing in advance against bills of lading, and resolutely correct wrongdoing in personally signing bills of lading.

4. All foreign trade corporations, industrial and trade corporations, and foreign shipping corporations must rely closely on local governments and port of entry offices (or commissions) for the improvement of unity and cooperation with transportation and shipping departments. In situations such as the current serious shortage of transportation,

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

13

in particular, they should more frequently visit harbor affairs bureaus, railway bureaus, and civil aviation units in an active effort to gain the support and cooperation of all units concerned in order to use limited shipping resources to improve their ability to earn foreign exchange through exports, and to do everything possible to lower the costs of moving export commodities.

5. In the process of rectifying the foreign trade shipping order, unhealthy tendencies must be opposed, and the abuse of authority for private gain, as well as indiscriminate increases in prices and fees must be opposed. During the present situation, where the competitive mechanism and associated reform measures are incomplete, in particular, all incidents that hurt national interests and the reputation of foreign trade must be strictly prohibited, investigated, and punished to create a good climate for foreign trade shipping in an effort to fulfill the current year's foreign trade shipping tasks.

MOFERT 5 October 1989

Hong Kong-Bound Railroad Freight Regulations
92CE0449D Beijing GUOJI SHANGBAO in Chinese
25 Apr 92 p 3

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Circular on Improved Management and Doing a Good Job of Providing Railroad Transportation for Hong Kong Goods"]

[Text] In 1990, railroad transportation to supply Hong Kong and the Hong Kong entrepot trade was conducted more smoothly than in 1989. The improvement in quality documentation and the increase in volume of traffic resulted from close coordination both inside and outside China along with active efforts to do good work. Nevertheless, some problems still existed in transportation work, which manifested themselves in the following ways:

I. Station delays and railroad traffic congestion remained fairly serious. Documents were not in order, telegrams reporting the beginning of shipments did not arrive, and problems arose from time to time with licensing, commodity inspection and certificates. In particular, telegrams reporting the initiation of shipments were not received on time. During holidays, there were "missile trains" (meaning that the trains arrived before telegrams or documents regarding shipments) with the result that after a train arrived in Hong Kong, timely notice could not be given to the consignee to handle the import application and to take delivery of the goods.

II. Overloading of freight cars caused station delays in Shenzhen and increased unloading costs.

III. Some provinces, cities, and foreign trade corporations violated the provisions of MOFERT Land (Luzi [7120/1316]) Document (84) No. 302/886 "On Uniformly Providing a Shipment Number for Hong Kong Railroad Freight Transportation Letters of Authorization." They failed to abide by the numbering requirement, different agencies sending letters and telegrams to the Hong Kong China Travel Agency Freight Transportation Company. This upset

work procedures, making it impossible for computers to handle normal business and calculate transportation expenses. This made it difficult to carry on work and to recover money that had been advanced.

IV. Some owners of goods that had begun the journey to Hong Kong, and for which the bank was to make settlement, took it upon themselves to unload the goods at Shenzhen and put them in a warehouse. Instead of going through the prescribed Hong Kong shipping agent, the Hong Kong consignee got another shipping firm or consignee to send a truck to Shenzhen to pick up the goods. This resulted in the consignee taking the goods without retiring the bill through payment at the Hong Kong bank. This resulted in a mixed up situation in which the Hong Kong bank, which was unable to obtain payment for the goods, began dunning the Hong Kong China Travel Service and the foreign shipping company that had signed the receipt for carrying the goods.

V. Serious theft of goods, damage to goods, and short counts of goods remain a prominent problem in the railroad transportation of goods to supply Hong Kong. This has resulted in insurance companies refusing to insure or not accept claims for damages.

The Hong Kong China Travel Service Freight Transportation Company reports problems to one degree or another with 70 percent of train shipments to Hong Kong, two thirds of which are short counts and one-third of which is excess goods. The inability of inland units concerned to reply promptly to the problems that arise increases work difficulties.

In order to correct the foregoing problems quickly, accelerate the departure of trains, and reduce damage of goods and short counts, the following notice is issued on the matters concerned:

I. All provinces, regions, and cities that ship goods must actively create conditions for gradually making customs declaration and exercising supervision locally for the initiation of shipments in order to reduce the number of declarations made in Shenzhen.

II. Between five and seven days before the shipping unit ships goods, it must mail a letter of authorization for through shipment of export goods to the foreign shipper in Shenzhen and the Hong Kong China Travel Agency Freight Transportation Company. After the train has been loaded, a telegraph must be sent within 24 hours to the Shenzhen foreign shipper announcing that the shipment is about to take off. Northern Guangdong, Hunan, Hubei, Wuhan, and Guangxi should teletype (or fax) a telegram reporting the departure of a shipment to the China Travel Agency Freight Transportation Company's Import Department so that the Freight Transportation Company can meet the train, and also notify the consignee to take delivery of the goods, thereby avoiding the inability to unload the goods after the train reaches Hong Kong resulting in train traffic congestion and clogging of the station yard.

III. Except for units that deliver goods across provincial borders and foreign trade import-export corporations, all foreign trade units (including border area and local trading

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

JPRS-CAR-92-057
30 July 1992

units and the three kinds of partially or wholly foreign-owned enterprises) must do all possible to engage foreign transportation companies in places where sources of supply are located to act as shipping agents. The letter of authorization must contain the shipping agent unit's shipping number. When a foreign shipping company accepts a commission to act as an agent in the shipment of goods, it must collect in advance from the consignor miscellaneous transportation fees for the Hong Kong segment. Then one-way scheduling of the foreign shipment may be obtained from the China Travel Freight Transportation Company. Otherwise, a reserve fund has to be mailed in advance to the China Travel Service or a letter of guarantee obtained from a bank at the point of shipment to ensure the advance of funds for payment to the China Travel Service for miscellaneous shipping fees on the Hong Kong segment. This is a means of turning around the situation in which the China Travel Service is unable to recoup the large amounts of money it has advanced.

IV. All goods arriving without required documentation will be held at Shenzhen pending reply to the foreign shippers telegram to the consignor correct the problem within five days after which, in the absence of receipt from the consignor of supplementary documents, the goods will be unloaded into a warehouse and processed. All fees resulting and all damage to the goods thereafter will be the responsibility of the consigning unit.

V. In order for freight cars to travel safely on the Hong Kong segment, the maximum load for all cars prescribed in the attached table may not be exceeded; otherwise, the overweight cars will have to wait in Shenzhen for unloading.

VI. Handling of damaged goods, missing goods, and excess goods.

1. Theft of merchandise is a prominent problem today. In order to ensure the legal rights and interests of both consignees and the shipping agency, the following provisions apply:

(a) All goods having a high monetary value must carry comprehensive insurance.

(b) Following arrival in Shenzhen, should the foreign shipper in Shenzhen find anything amiss on the cars or problems with the lead seals, not only is the North Station in Shenzhen required to make a regular record, but the Hong Kong China Travel Service must also be notified in order to conduct a full investigation in order to issue a detailed loading and unloading list, this list serving as evidence in requesting indemnification from the insurance company.

2. If, within three months after the arrival in Hong Kong of excess goods, the consignor or the agent in China cannot promptly reply about their disposition, the Hong Kong shipping agent has the right to dispose of the goods, using the proceeds to offset warehouse leasing expenses, and to pursue the goods owner for any insufficient amount.

VII. The receipt for carrying the goods provides proof for bank settlement. It is similar to a copy of a sea transportation bill of lading or an international waybill. It represents ownership of the goods, and it is the Hong Kong consignee's

evidence for delivery of the goods. Therefore, all foreign shipping branch organizations must pay strict attention to it. It is forbidden to provide a blank "carrier receipt" to the Hong Kong shipping agent or the consignee. Violators are to bear economic and legal responsibility.

The foregoing requirements are to be observed and enforced so as to ensure more complete fulfillment of railroad transportation work for the supply of Hong.

MOFERT 1 February 1991

MOFERT Regulations on Trade-Related S&T
92CE0452A Beijing GUOJI SHANGBAO in Chinese
18 Apr 92 p 2

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Trial Measures for the Management of Science and Technology in Foreign Economic Relations and Trade"]

[Text] This measure has been especially formulated for the purpose of improving the management of science and technology in foreign economic relations and trade, promoting scientific and technical progress in economic relations and trade, introducing new scientific and technical achievements promptly into the production of export commodities, accelerating the updating of export goods, meeting international market requirements, expanding exports, and increasing foreign exchange earnings.

Section 1. General Rules

Article 1. Management Scope

The management of science and technology in economic relations and trade includes primarily the following: Scientific research on the production of export commodities, development of technology, research, development and production of new products, optimization of the make-up of export commodities, improvement of packing and packaging, and processing of scientific and technical intelligence and scientific and technical information.

Article 2. Management Organs

Economic relations and trade departments and commissions, and foreign trade bureaus in all provinces, autonomous regions, directly administered municipalities, and municipalities listed under plan (hereinafter abbreviated to units in charge of economic relations and trade in all provinces and municipalities), and all corporations must set up science and technology management organs. Where conditions permit, scientific research and production partnerships staffed with either full-time personnel or concurrently assigned personnel may be established with responsibility for scientific research and development work.

Article 3. Selection of Projects

The selection of economic relations and trade scientific and technical projects should be guided by the international market with the goal of improving the ability to earn foreign exchange from exports through in-depth development and systematic coordination. Projects must be selected for which the level of technology is high, reserve strength for

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

development is great, that earn much foreign exchange, that produce good economic returns, for which potential on the international market is substantial, that can be rapidly translated into production capacity, and that produce hot-selling products, as well as scientific and technical research projects that improve the management of science and technology related to foreign relations and trade.

Article 4. Units Concerned

This measure applies to import-export firms in the economic relations and trade business, independent production firms, and storage, transportation, and packing firms, as well as other businesses that have enterprises or institutions that perform export services to earn foreign exchange.

Section 2. Requirements and Procedures for Preparing Plans and Establishing Projects

Article 5. Plan Preparation

1. Long-Range Planning:

(a) The MOFERT Science and Technology Office (hereinafter abbreviated to the MOFERT Science and Technology office) is to study and formulate long-range plans for science and technology in economic relations and trade industries on the basis of relevant national plans and policies.

(b) Economic relations and trade units in charge in all provinces and municipalities, and all corporations are to draw up long-range plans for the development of the economic relations and trade business. They are to draw up scientific and technical development plans that take into account the actual situation existing in the local area and the local system, and report them to MOFERT's Science and Technology office as a matter of record.

2. Annual Plans:

(a) The annual plans of economic and trade units in charge in all provinces and municipalities, and in all corporations must be reported to MOFERT's Science and Technology office before the end of November of the previous year, and they are to be issued after MOFERT's Science and Technology office has balanced them.

(b) After MOFERT's Science and Technology office issues the plan, enterprises or units concerned are to perform the work required to establish the projects that the plan prescribes in accordance with procedures for establishing projects.

Article 6. Requirements for Establishing Projects

1. The establishment of scientific research projects must satisfy the provisions of *Selection of Economic Relations and Trade Scientific Research Projects* (See Article 3)

2. The unit responsible for the project must have certain conditions for scientific research (such as technical personnel and a testing ground). The person in charge of the research must possess a certain amount of leadership ability and fairly high professional skills. 3. Units undertaking projects must be able to make repayment, and have the backing of higher level units in charge.

Article 7. Procedures for Establishing Projects

1. Grassroots enterprise requests for approval of scientific and technical projects must be sent along with supporting documents first to the economic relations and trade unit in charge at the next higher level for preliminary consideration. After receipt of written comments, the project request must be sent to the provincial or municipal unit in charge of economic relations and trade, or the science and technology unit of a corporation for examination and approval.

2. Following examination, approval, and authentication by the provincial or municipal unit in charge of economic relations and trade, or a corporation, a project feasibility study is to be prepared and sent to MOFERT's Science and Technology office for overall balancing and consideration, and a determination as to whether it should be included in the MOFERT scientific research plan.

3. For projects that MOFERT's Science and Technology office includes in the MOFERT scientific research plan, MOFERT's Science and Technology office will draw up an overall annual project plan, which it will report to a higher echelon and issue to the grassroots enterprise, and it will also sign a scientific research contract with both the unit undertaking the project and the unit providing backing.

4. MOFERT's Science and Technology office is to handle procedures for the allocation of funds (or credit) in accordance with contract provisions, the funds (or credit) to be issued either in a lump sum or quarterly as circumstances warrant.

Section 3. Project Implementation

Article 8. In the process of carrying out the scientific research contract, MOFERT's Science and Technology office may charge units in charge of economic relations and trade in all provinces and municipalities, or all corporations with responsibility for making concrete progress and using funds properly.

Article 9. For all projects included in the MOFERT scientific research plan, the unit undertaking the project must carry out the progress plan and the plan for use of funds provided in the contract. If the progress plan cannot be completed in a timely fashion, funds for the next stage will either not be issued or delayed.

Article 10. Circulating capital allocated for scientific research must be used for the intended purpose. Should its diversion be discovered, MOFERT's Science and Technology office will take action befitting the seriousness of the offense.

Article 11. The unit undertaking the project is to file a report with MOFERT's Science and Technology office once each quarter providing information on the status of implementation and the use of funds. It is also to send a copy of the report to provincial and municipal units, or to corporations, in charge of economic relations and trade.

Article 12. If, in the process of implementation, the project becomes impaired for some major objective reason, requiring major changes or alterations, a special report must be prepared for the approval of the provincial or municipal unit in charge of economic relations and trade, or the

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

16

corporation, and forwarded to MOFERT's Science and Technology office for approval.

Section 4. Scientific and Technical Achievements

Article 13. Achievements of scientific and technical research (hereinafter abbreviated to research achievements) are largely of two kinds as follows:

1. Creative theoretical research results in the field of natural sciences.
2. New inventions, new skills, new technologies, new materials, new methods, and new products that can improve efficiency when applied to production.

Article 14. Research achievements must undergo evaluation or impartial evaluation. Once the project has been completed, the unit issuing the project plan must promptly notify MOFERT's Science and Technology office to hold an evaluation meeting to make an evaluation. When necessary, MOFERT's Science and Technology office may commission provincial or municipal economic relations and trade units in charge to hold an evaluation meeting to render an evaluation.

Article 15. The evaluation meeting must complete the following tasks:

1. Evaluate the appropriateness of the research testing plan and validate technical performance.
2. Inspect technical documents for completeness.
3. Make correct conclusions about economic returns from the scientific and technical results, the level of technology, the key technology and the degree of its maturity, results from the application of the technology, and feasibility of applying the technology.
4. Raise problems and methods for improvement, and deal with opinions.
5. Prepare a technical appraisal document that sets forth an appropriate conclusion about the results of scientific research.

Article 16. Procedures for reporting scientific and technical results.

Once research achievements have been made, the unit making the achievements is to report them to MOFERT's Science and Technology office, simultaneously providing a copy to the unit in charge of economic relations and trade in provinces and municipalities, or to corporations. The following data should be provided along with the report:

1. Scientific and technical research results report form;
2. Scientific and technical research results authentication certificate or impartial authentication certificate;
3. Complete technical data such as the research experiment report and the survey and research report.

Article 17. Spread and application of research achievements.

1. The principle of transfer of research achievements for compensation is to be followed in order to accelerate the

translation of research achievements into productivity, and to commercialize scientific and technical achievements.

2. Once authenticated, research may enter the technology market at once, being transferred for compensation to those needing the technology, the amount and means of collection to be worked out through discussions between the unit transferring possession the unit receiving the technology. A technology transfer contract is to be prepared setting forth the responsibilities, rights, and duties of all parties, a copy sent to MOFERT's Science and Technology office as a matter of record.

3. When a patent on scientific and technical achievements is applied for, the patent rights are to be the joint property of the foreign economic relations and trade unit in charge and the units that undertook the project.

4. Once a newly developed product has become a major commodity export, provincial and municipal units in charge of economic relations and trade, or corporations, may apply to MOFERT's Science and Technology office for premium quality product status for the commodity. They may use State Science and Technology Commission and State Technology Supervision Administration regulations as a basis for having MOFERT's Science and Technology office recommend that the product be chosen to be a premium national product.

Article 18. Awards for scientific and technical achievements are to be in accordance with provisions of *MOFERT Award Procedures For Scientific and Technical Progress Awards*.

Section 5. Management of Scientific Research Funds

In order to improve management of scientific research funds, and use limited scientific research funds both equitably and effectively, a revolving fund system has been instituted for scientific research that allows the use of funds in return for payment.

Article 19. MOFERT's Science and Technology office will disburse funds as scientific research project contracts provide.

Article 20. All scientific research funds that MOFERT's Science and Technology office disburses are to revert MOFERT's Science and Technology office for re-circulation upon completion of the project.

Article 21. Income received from the transfer for payment of research achievements, income derived from the sale of trial-manufactured products, and income divided among partnerships, all of which is entered into accounts as the income of units undertaking scientific and technical projects, may be used by units as a science and technology circulating fund, subject to the approval of MOFERT's Science and Technology office. Each year units in charge of economic relations and trade in all provinces and municipalities, and all corporations, may withdraw 3 percent of the Ministry-provided scientific research fund for payment of bonuses for scientific and technical research achievements.

Article 22. Scientific research revolving funds must be used for the purposes for which they are intended. Economic relations and trade units in charge in each province and

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

17

municipality, and all corporations must regularly examine the funds and make a summary report, and at the end of each year, they must file an accounting for funds with MOFERT's Science and Technology office. Failure to file such an accounting will result in no approval for new projects.

Article 23. Should the ability to repay be lost for reasons beyond control, or for other reasons, in the process of carrying out contracts, a report must be filed at once with MOFERT's Science and Technology office, cancellation of payment permitted only following verification and approval from MOFERT's Science and Technology office.

Section 6. Enterprise Conduct of Research

Article 24. Export enterprises' direct conduct of scientific research means scientific research that a nonindependent scientific research unit conducts. This is an important way in which to link applied science and developmental science directly with production practice.

Article 25. Export enterprise plans to conduct scientific research are to be reported in accordance with procedures to MOFERT's Science and Technology office. Following approval from MOFERT's Science and Technology office, all parties concerned may sign a "contract agreement." After the enterprise has found a unit to conduct the research, circulating funds for the research may be allocated. Once the research project has been complete, the entire amount is to be tendered to MOFERT's Science and Technology office. Expenditure of funds is to be in accordance with national regulations, the enterprise making use of the research achievements.

Article 26. Patent rights for research achievements are to be shared jointly by the enterprise and the local department in charge of economic relations and trade science and technology. Both parties are to do a good job of promoting and transferring possession of the achievements.

Section 7. Technology and Trade, Industry and Trade, and Agriculture and Trade Partnerships

Article 27. Export enterprises, institutions of higher education, scientific research units, the production section, and the economic relations and trade sector are to work together in the spirit of reform of the state science and technology system. They should organize research and production partnerships (hereinafter abbreviated to as partnerships) between technology and trade, industry and trade, and agriculture and trade. To promote the close integration of research, planning, development, and production, dovetailing experimental methods with production capabilities, spurring translation of scientific and technical research achievements into production, and increasing enterprises' technology assimilation and development capabilities.

Article 28. Partnerships are economic entities whose purpose is the creation of foreign exchange through exports. The principles of equality and voluntary participation, mutual benefit and mutual interest, and joint development must be adhered to. Distribution of returns should be

according to the ratio of investment and the size of contributions. The agreements or contracts that parties to partnerships sign are to be jointly honored, copies provided to MOFERT's Science and Technology office for the record.

Article 29. The following conditions must exist for the founding of partnerships:

1. Participation of units in the economic relations and trade system.
2. A scope for research and development that is in keeping with national policies, laws, regulations, and pertinent MOFERT regulations, as well as possession of the technical forces and material conditions needed for that scope.
3. Research projects employing sophisticated technology, producing marked economic returns, and that can increase foreign exchange earnings from exports that require the cooperative efforts of production and research units concerned.
4. A long-range science and technology development plan and annual plans for the partnership.
5. A partnership charter, contract, or agreement in keeping with national regulations.
6. The leadership of partnerships is to be a board of directors on which all member units sit to provide leadership.

Article 30. The technological achievements that partnerships develop belong to the partnership and are to be enjoyed by member units. Ownership and distribution ratios of scientific and technical achievements realized from mutually mandated development are to be determined on the basis of the ratio of investment of funds and technology as set forth in contracts.

MOFERT 7 December 1989

**Authentication Procedures for New Technology
Codified**

92CE0452B Beijing GUOJI SHANGBAO in Chinese
16 Apr 92 p 2

[Article: "Ministry of Economic Relations and Trade (MOFERT) Detailed Regulations on the Authentication of Scientific and Technical Achievements"]

[Text] **Article 1.** These detailed regulations have been formulated on the basis of *People's Republic of China State Science and Technology Commission Measures For Authenticating Scientific and Technical Achievements* as they apply to the special character and actualities in scientific and technical work related to economic relations and trade.

Article 2. The scientific and technical achievements to which these regulations apply are as follows:

- (1) Achievements in scientific theory that serve the development of foreign economic relations and trade, including basic research theory achievements and some applied research theory achievements.
- (2) Scientific and technical achievements in the form of new products, new techniques, new materials, new designs, and

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

new kinds of organisms and mineral products applied to the production of export wares that can change the make-up of export products, improve packing and packaging, improve product quality, improve export commodity quality, and improve the competitiveness of export wares in international markets.

(3) Scientific and technical achievements in the form of new products, new techniques, new materials, new designs, and new kinds of organisms and mineral products, which, although not directly applicable to the earning of foreign exchange from exports, can substitute for imports and provide what is needed domestically.

(4) Achievements in the soft sciences that spur the development of foreign trade and give impetus to making policies more scientific and management more modern.

Article 3. All completed scientific and technical achievements that are a part of MOFERT science and technology project plans, or achievements made as a result of research and development that the economic relations and trade system organized or mandated other units to organize that serve to create foreign exchange through exports, even though they are not a part of MOFERT science and technology project plans. For scientific and technical achievements that must be authenticated by the MOFERT organization, the authorities in charge of economic relations and trade science and technology in the units that have made the achievements should present a science and technology achievement authentication request (See Attachment 3 for format) to the MOFERT's Science and Technology office. Following examination and approval, the Ministry Science and Technology, or a mandated department concerned, is to take charge of authentication.

Article 4. Form of Economic Relations and Trade System Authentication of Scientific and Technical Achievements

(1) **Inspection Authentication:** Inspection, testing, evaluation, and conclusions by a professional testing organ (a national level or provincial (department) level professional technology testing organ set up in accordance with pertinent national laws, pertinent State Council regulations, or the regulations of a ministry or commission under the State Council) performed in accordance with national standards, industry standards, or pertinent technical criteria.

(2) **Acceptance Authentication:** Testing, evaluation and a conclusion based on the acceptance standards set forth in the plan task paper or specified by the accepting unit.

(3) **Professional Appraisal:** Examination and appraisal of technical data about the scientific and technical achievement given in writing by an expert in the same field, a conclusion then reached following collation by the unit sponsoring the authentication. When necessary, an experts authentication meeting may be convened to make an examination, appraisal, and conclusion about a scientific and technical achievement.

In addition to the foregoing three forms of authentication, any one of the following situations may be regarded as providing authentication (See Attachment 2 authentication form):

(1) Any achievement for which production practice has demonstrated the technology to be mature, that has produced economic and social benefits, and that the unit applying it has certified.

(2) A technical project that a technology contract registration agency has registered as meeting specifications for acceptance prescribed in the contract, that has produced economic returns following application to production, and that has been certified by the parties concerned.

(3) Technology for which the Chinese Patent Bureau has issued a patent from which economic returns have been derived following implementation, and that has been certified by the parties concerned.

Article 5. In order to apply for authentication of scientific and technical achievements, the following requirements must be met:

(1) The completed project task meets specified technical requirements.

(2) Academic and technical data are complete and meet requirements of the science and technology files management unit.

Academic data for achievements in scientific theory include mostly the following: Academic treatises, explanation of publication in domestic and foreign academic publications or by academic conferences; domestic and foreign academic comparison data, and citations made in the wake of publication of treatises.

Technical data for achievements in applied technology include mostly the following: Technical contracts or plan task documents, research reports, test reports on technical criteria, experiment reports, charts and tables pertaining to design technology, quality standards, domestic and foreign technology comparison data, examination of new evidence, and analysis of economic returns and social benefit data.

Technical data for soft sciences achievements includes principally the following: Technical contracts or plan task documents, overall research reports, specific topic validation reports, survey and study reports, pertinent background data, and comparison data for domestic and foreign research

(3) The maturity of the technology of applied technology achievements must be validated through practice, and conditions must be available for their application and spread. In the case of high technology, when substantial difficulties and a fairly long period of time is involved, MOFERT Science and Technology Office may deem it advisable to organize the authentication of achievements stage by stage.

(4) Soft science achievements must be accepted or applied by the unit concerned.

Article 6. Units or individuals that have completed a scientific and technical achievement must file an application for authentication together with pertinent academic and technical data no later than one month before authentication with the Ministry Science and Technology Office via the units in charge of economic relations and trade science and

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

19

technology in each jurisdiction or corporation. MOFERT's Science and Technology office is to examine the achievement conscientiously, making a reply in the following terms within a month:

- (1) whether it agrees to make an authentication;
- (2) the kind of authentication;
- (3) the unit conducting the authentication;
- (4) a list of names of members of the authenticating committee;
- (5) other pertinent matters.

Article 7. For all scientific and technical achievements about which controversy exists prior to authentication, request for authentication is to be made after resolution of the controversy.

Article 8. Scientific and technical authentications should cover primarily the following:

- (1) whether required documents are complete and meet requirements, and a report on quotations made following their publication;

1. evaluation of the goal of project research, and its significance;

2. whether the argumentation and the validity of argumentation for the achievement are spelled out, and whether relevant data are correct;

3. academic value of the achievement, comparison with like branches of learning at home and abroad, its original points, academic significance, and the actual domestic and foreign level it meets;

4. shortcomings in the achievement and recommendations for improvement;

5. when an assessment of achievements in scientific theory is provided by correspondence, the expert's checklist should be appended to the authentication document.

- (2) Authentication of achievements in applied technology should cover mainly the following:

1. technical data necessary to the authentication, completeness of documents, and consistency with requirements;

2. whether the technical criteria called for in plan task documents (or contracts) have been met;

3. whether the technical data, figures and tables in the technical documents concerned are correct and complete;

4. comparison of its character, originality, and level with similar domestic and foreign technology;

5. results of testing in practice, extent of application, and feasibility of plans for expanding application;

6. forecast of ability to create foreign exchange from exports and market competitiveness;

7. forecast of social benefits and economic returns, and reliability of analysis;

8. problems and recommendations for their solution.

- (3) Matters that an authentication of soft science achievements cover:

1. whether the required documents are complete and meet requirements;

2. whether the achievement meets goals and standards;

3. applicability and results from testing in practice;

4. role played in the development of economic relations and trade;

5. actual level of the achievement;

6. problems and recommendations for improvement.

Article 9. The authentication committee's results are to be paid for by the unit responsible for having the authentication performed, and reported to MOFERT's Science and Technology office for examination and approval. Members must be somewhat representative and possess the following requirements:

- (1) possess a high or medium level of technical proficiency in the industry or field;

- (2) possess a fairly high academic or technical level and have plentiful practical experience;

- (3) possess fine professional ethics. Members of an authentication committee may not simultaneously be researchers on the matter being authenticated. Members of an authentication committee from a unit that has produced a scientific and technical achievement may not number more than one-fourth of the prescribed total number of committee members.

Article 10. Authentication of scientific and technical achievements must adhere to the principles of seeking truth in facts, earnestness, simplicity, and thrift. It must abide by the principle of the minority acceding to the majority, using authentication and evaluation to form conclusions that are written down in an authentication report.

Article 11. Members of authentication committees must have the right to express their personal views fully regarding the scientific and technical achievement being authenticated. Authentication committees have the right to demand that those who produced the achievement make replies or duplicate experiments. If those who produced the scientific and technical achievement are unable to provide full documentation, thereby making it impossible for the committee to arrive at a complete authentication conclusion, the authentication committee has the right to so note in the authentication conclusion.

Article 12. Members of an authentication committee are duty-bound to maintain secrecy about the achievement being evaluated, and they are responsible for the correctness of the authentication and evaluation. The chairman of the authentication committee must bear technical responsibility for the authentication conclusions, and all members of the authentication committee must sign their names to the authentication certificate.

Article 13. The unit in charge of the authentication must diligently examine and verify the authentication report

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

presented. Should major defects be found in the authentication report, he must instruct the members of the authentication committee to make a supplementary authentication and evaluation. Should deception or the practice of formalism be discovered, he has the right to reject the authentication report and assemble another authentication committee to issue a new authentication.

After the authentication report has been examined, verified, and approved by MOFERT's Science and Technology office, either MOFERT's Science and Technology office or a MOFERT Science and Technology Office-mandated unit in charge of authentication is to certify the scientific and technical achievement, issuing a certificate.

Article 14. The form of the certificate is to be the uniform certificate form prescribed by the State Science and Technology Commission (See Attachment 1).

Article 15. The unit sponsoring the authentication may provide a technical consultation fee to the members of the authentication committee as circumstances in the area or sector warrant.

Article 16. New products incorporating outstanding science and technology that have been formally authenticated and approved by MOFERT may be termed ministry-approved premium products.

Article 17. These detailed regulations are to take effect on the date of issuance. Should provisions of previous pertinent documents conflict with the provisions of these detailed regulations, these regulations are to prevail.

MOFERT 10 July 1990

MOFERT Work Place Management Regulations *92CE0453A Beijing GUOJI SHANGBAO in Chinese* *21 Apr 92 p 2*

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Trial Standards for Work Place Management in Foreign Economic Relations and Trade Industrial Enterprises"]

[Text] **Article 1.** The country's foreign economic relations and trade industrial enterprises (hereinafter termed the enterprises) are production bases for foreign trade export commodities. In order to improve the level of enterprise management and generally optimize enterprise management, enterprises must give firm attention to the improvement of work place management as the key to managing and upgrading for comprehensive improvement of the level of management in enterprises. This trial standard, which is based on the summarization of practical experience, has been especially drawn up in order to make work place management more scientific, more standardized, better programmed, and more modern.

Article 2. Enterprise production work place management covers primarily two aspects: The first is the work and the sequencing of production in the work place, and the working and production environment required. The second is that part of enterprise management that has to do with work

place management, which is a complete process from inputs to outputs, and management of all aspects.

Article 3. The basic requirements of work place management in enterprise production are as follows:

I. An orderly environment

1. A rational layout. Plant, warehouse, business, and work areas are to be laid out rationally to form a network that ensures a flow of materials along the optimum route, with facilities in the plant area for discharge of the "three wastes" [waste gas, waste water, and industrial residue] to meet environmental protection regulation requirements.

2. Open passageways. Roadways through the plant area, and passageways in shops and warehouses are to be open to allow safe movement consistent with regulations. The piling of goods, the stacking of materials, the halting of vehicles, and construction in roadways in the plant area and operating areas is strictly forbidden, and better control of vehicles carrying goods is required according to actual circumstances in order to assure unimpeded movement.

3. Conspicuous signs. Plant areas should have the following six kinds of signs:

a) Plant area signs. Eye-catching signs are to be put in place by serial number for the plant, freight yards, freight sheds, railway platforms, wharves, container cargo, and the stacking of materials.

b) Warehouse area signs: Storage places are to be numbered by warehouse area, buildings, and the side exposed to the sun must be clearly marked.

c) Materials signs: Materials should be positioned as production requires and should be clearly marked.

d) Service signs: Inside the plant area main gate, a sketch map showing the layout of the plant area should be posted, and road signs or notice boards should be erected showing the way to the operations department, workshops, warehouses, and living facilities. A directory to various offices should be provided for the office building.

e) Traffic signs: One-way road signs for vehicles should be posted in the plant area and the operations area, and gate signs should be erected at railroad crossings;

f) Safety signs: Various kinds of safety signs should be posted in the plant area, the operations area, and the work areas as different operations require, such as signs prohibiting fire, traffic speed limit signs, safe operation signs, and fire-protection inspection signs.

4. Neat Plant Appearance

a) The entire plant area should be neat and sanitary, the windows bright and the grounds clean. Sewer lines should be free from blockages, and there should be no cigarette butts, no sputum, no accumulated dust, no stagnant water, no spider webs, no garbage, no trash, and no weeds.

b) The division of labor should be clear-cut for the sanitation and grounds greening responsibility areas, and responsibility should be assigned for regular clean-ups.

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

21

c) Plant area production and work sites are to be kept clean; doors and windows are to be maintained in good condition; and walls and doors are to be kept clean. Posters may not be placed at random, nor should graffiti, the hanging of pictures, or the nailing of items to the walls be allowed. All materials, utensils, and equipment are to be dusted.

d) Toilets are to be kept in sanitary condition, free of refuse, waste water, and foul smells.

e) Factory team and group clothes-changing rooms should institute a rotating day clean-up duty system to keep them clean and tidy. Clothing should not be hung up to air dry in the rooms or in other than designated places.

f) Refuse should be placed in fixed locations, removed regularly, and the surrounding area kept clean.

5. Beautiful environment

a) General methods should be suited to specific circumstances and planning should be done in an overall way to make the environment green and beautiful, combining flowers and plants, trees, and potted plants to give the plant buildings and offices a warm, elegant, and beautiful appearance.

b) Propaganda and advertizing should be displayed properly, all horizontal banners, slogans, charts and tables, blackboards, posters, and newspapers in their own place to keep them for a long time, in good condition, and up to date.

5. [number as published] Rallying of spirit. Staff members and workers in enterprises are to dress in a refined way, maintain a proper appearance, behave in a courteous manner, practice modesty and prudence, and embody the new demeanor of enterprises.

II. Balance in Production

1. Direction of production must be centralized, have a sound production and operations direction system, and have a planning and organizational system that both promotes production and helps balance production for a high degree of coordination and centralization of production essentials, namely human labor, machines, and material.

2. Optimized organization of labor. The form of labor organization should meet production requirements; the assignment of members of the work force should be in keeping with the principle of "optimized organization"; and a stimulation and limitation mechanism should be used to manage the work force.

3. Clear position functions and responsibilities. Each position must have a sound position responsibility system in which the division of labor is clear, functions and responsibilities are spelled out, and a person is designated responsible for specific matters, which is to be published in the work place. Work standards and work quality standards must be established for each position, with checks conducted in accordance with regulations.

4. Rational work place quotas. A "quota handbook" should be prepared for all tasks that can be quantified and quota

management should be applied to all production procedures. Quotas for all matters should be complete, coordinated, scientific, and rational, ensuring that quotas are broken down level by level for all departments, workshops, factory teams and groups, and individuals for the building of a work place quota management system.

5. Scientific flow of production and work

A scientific production and work flow diagram should be worked out, all preparations made before production begins, production organized strictly in accordance with technical and technological standards, and all work done according to set procedures.

III. Orderly flow of materials

1. Locator Management

a) Enterprises should set clear-cut regulations or decide standards as circumstances warrant regarding locator management principles, purposes, scope, substance, and the classification and color coding of various articles to be located, the marking methods, and the steps to be taken in the fitting together of personnel, materials, and the environment in an optimum way.

b) Overall planning should be done for all items to be located using locator management principles, location diagrams of various kinds being prepared for storage areas, warehouses, and departments. Locator management drawings should be clear, understandable, accurate, and neat. Locator lines must be determined in accordance with regulations for all locator zones, and locator signs must be put up to attain the goal of everything having a place, every place having a sign, everything kept in its place, items placed according to the diagram, with the location shown on the diagram coinciding with the actual location of things.

c) A strict location verification system. Enterprises must have an organization specifically charged with responsibility for organizing, instituting, supervising, and checking on location. They must also have a complete body of checking methods so that the work place location rate meets required standards.

2. Civilized production

Complete production rules and regulations or standards are needed for the management of every link in the production chain, to make full preparations for production, and for a proper technological flow process, so that machinery and equipment is used properly, and so that operations are consistent with plans, thereby achieving civilized production, improving efficiency, and ensuring quality.

3. Strict checks

A strict system is needed for the acceptance and double checking of primary and supplementary materials entering and leaving warehouses which: improves management, spells out responsibilities, controls every link closely, permits checks at every level, strictly controls transfers of materials, and ensures no lapses.

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

**MOFERT Regulations for Foreign Trade
Warehouse Management**

92CE0453B Beijing GUOJI SHANGBAO in Chinese
21 Apr 92 p 2

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Trial Methods for Work Place Management of Production in Foreign Trade Storage Enterprises"]

[Text] **Article 1.** Foreign trade storage enterprises are storage bases used in the movement of foreign trade commodities. In order to improve the quality of service, improve the service function, effect complete optimization, and gain full benefits, storage enterprises must regard better work place management as the key in bringing about the "five superbs" and in enterprise management. Better work place management is a means of perfecting basic management work and raising the level of professional management as well as for accelerating the modernization of management. This trial regulation has been especially drawn up in the spirit of the MOFERT "Hangzhou Conference" following a summarization of practical experience in order to make work place management become more scientific and more standardized over time.

Article 2. By storage work place is meant the place where commodities are received and dispatched, taken care of, moved into and out of warehouses, and associated services provided. Management of this work place in production covers mostly two things: The first is the work and the sequencing of production in the work place, and the working and production environment required; and the other is enterprise management of the work place itself. This is a complete process from inputs to outputs, and management in all aspects. It applies modern management thinking, methods and techniques to the various elements of production that include manpower, machines, materials, methodology, and the environment to bring about a proper scientific blending of them.

This regulation regulates mostly the substance, requirements and implementation methods for managing the storage work place.

Article 3. Storage work place management requires achievement of the following:

1. A tidy and clean environment.

(a) A rational layout. Warehouse areas, operations areas, and living areas must be laid out rationally in a network to ensure that materials flow along the optimum routes to attain the goals of safety, convenience, and high efficiency, with facilities within warehouses for the discharge of the "three wastes" [waste gas, waste water, and industrial residues] in keeping with environmental protection regulations.

(b) Roads and passageways. Roadways through the plant area, and passageways in shops and warehouses must allow safe movement consistent with regulations. The piling of goods, the stacking of materials, the parking of vehicles, and construction in roadways in the plant area and operating areas is strictly forbidden, and better control of vehicles carrying goods is required as actual circumstances warrant in order to assure unimpeded movement.

(c) Conspicuous signs. Warehouses should set up the following kinds of signs as administration and management require: Warehouse area, warehouse, and storage site signs; storehouse and goods location signs; service signs, traffic signs, and safety warning signs. All signs should be put up and located in a rational way. Signs should be standard and eye-catching.

(d) Neat and Clean Warehouses. The entire plant area, individual warehouses, storage areas, office buildings, and lounges should be neat, clean, and sanitary, the windows bright and the grounds clean, sewer lines open, and toilets sanitary as a civilized environment requires. There should be a clear-cut division of labor in sanitation and grounds-greening responsibility areas, clean-ups made regularly. The environment should be comfortable and civilized.

(e) Beautiful environment. General methods should be suited to specific circumstances and planning done in an overall way to make the environment green and beautiful. Propaganda and advertising should be displayed properly in fixed locations, be able to last a long time, are in good condition, and are up to date. In this way, both a propaganda atmosphere and overall coordination can be maintained.

(f) Rallying of spirit. Warehouse staff members and workers are to dress in a refined way, maintain a proper appearance, welcome guests, take the initiative in showing warmth, behave in a courteous manner, and practice modesty and prudence. Staff members and workers should be vigorous in spirit and appearance.

2. Methodical Production

(a) Direction of production must be centralized. A complete production command system, a plan scheduling and organizing organ that helps the owners of goods and helps coordination, and the use of modern management techniques and methods in scheduling and directing production is needed for a methodical production order.

(b) Optimized organization of labor. The form of labor organization should meet vocational requirements; the assignment of members of the work force should be in keeping with the principle of "optimized organization"; and a stimulation and limitation mechanism should be used to manage the work force.

(c) Clear position functions and responsibilities. Each work position must have a sound position responsibility system, position work standards, and work quality standards. The division of labor must be clear, standards spelled out and persons designated responsible for specific matters, checks conducted in accordance with regulations.

(d) Rational work place norms. Norm management must be applied to all tasks in warehousing enterprises. Norms for all matters should be complete, scientific, and rational, and goals clear-cut. Norms should be broken down level by level for all departments, warehouses, teams and groups, and individuals in organizing production, and regular checks made for on-time completion.

TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment

(e) Scientific flow. The work flow should be scientific every step of the way from the drawing up of plans to the movement of commodities into and out of warehouses, all vocational activities being managed in an orderly way in accordance with regulations.

3. Orderly flow of materials

(1) Locator management:

(a) Warehouse enterprises should set clear-cut regulations or decide standards as circumstances warrant regarding locator management principles, purposes, scope, substance, and the classification and color coding of various articles to be located, the marking methods, and the steps to be taken in the coordination of personnel, materials, and the environment in an optimum way.

(b) Overall planning should be done for all items to be located using locator management principles, location diagrams of various kinds being prepared for warehouses, departments, and storage areas. Locator management drawings should be clear, understandable, accurate and neat. Locator lines must be determined in accordance with regulations for all locator zones, and locator signs put up.

(c) Institution of a map locator and strict checking system. Warehouses must have an organization specifically charged with responsibility for organizing, instituting, supervising, and checking on the location of goods in storage, and a complete verification method so that the work place location rate meets required standards.

(2) Civilized loading and unloading

Complete loading and unloading rules and regulations or standards, better supervision of checks, full work preparations, proper loading and unloading methods, proper use of machinery and tools, and operations that meet standards are needed for good care of commodities, civilized loading and unloading, careful moving and placement, increase in efficiency, and guaranteeing quality.

(3) Stacking standards

Commodities should be stacked safely, evenly, and firmly. They should not tilt or lean dangerously. They should be in keeping with storage management system regulations, meeting the finest "five superbs" standards.

(4) Checks during movement into and out of storage:

A strict system is needed for the acceptance of goods into warehouses, care while in storage, and double checking when leaving warehouses that improves management, spells out responsibilities, controls every link closely, permits checks at every level, that controls hand overs of materials strictly, and that ensures no lapses for accuracy, timeliness, and completeness in the movement of commodities into and out of warehouses.

(5) Need for agreement between account books and actual goods on hand:

1. The form, content, posting method, and filling out of both zhuangjiao [2866 5183] cards and zhuangjiao dai [2866

5183 5915] must meet the requirements of unified regulations, the main zhuang [2866] cards and the sub-zhuang cards corresponding to each other, the quantity and location of stacked goods show on them reflecting the reality. The ABC classification method is to be used to signal commodities that have been in storage too long and to provide regular feedback.

2. Account cards are to be complete, accounts kept in good order, postings made promptly, and figures accurate.

3. Follow a system of "random checks daily, verification monthly, full checks quarterly, and warehouse inventory yearly" to maintain the "three tallies."

(6) Scientific care:

A complete management network to take care of commodities, with a system for strictly enforcing commodity care and food hygiene is needed. Warehouses must have complete facilities for taking care of commodities, and that can effectively regulate and control the temperature for better checking of commodities and to prevent spoilage. In addition, for valuable, intensively raised, and general commodities, the ABC classification management system and follow-up regulations for the special care of commodity quality should be applied to ensure commodity quality and food sanitation.

(7) Lowering of materials consumption

Better cushioning material, strict checks and verifications, specific persons designated responsible, complete procedures, better accounting, thrift in the use of materials, repairing old things and using discarded things are needed to reduce consumption.

4. Maintain Equipment in Good Working Order

(1) Civilized production. Specific persons should be assigned to specific pieces of equipment, and all mechanical equipment for which a certified operator is called for must be operated by such a certified operator. Safe operating regulations are to be scrupulously followed for all equipment. When assembling and disassembling mechanical equipment, a system must be strictly enforced whereby "three checks" are made before the machinery is released and information turned over to the succeeding shift about the work that has been completed. When operating machinery, close attention must be paid and commands obeyed, work done without violating regulations, and without causing accidents.

(2) Repair and maintenance. This entails having complete regulations for the servicing and maintenance of all equipment, specific regulations for making checks that are carried out effectively, rewards and punishments linked to performance. When all equipment maintenance criteria meet the set requirements, and timely servicing is provided as needed, all equipment will be in good working order.

(3) Operating management. This entails the rational allocation and use of different kinds of equipment as production requires. It means level-by-level management of operations, independent accounting for equipment or accounting for individual machines (or vehicles), and making fullest use of

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

the economic usefulness of equipment, the utilization rate reaching prescribed standards.

(4) Tool management. This entails institution of a management system in which procedures are complete, records are clear, tools are arranged by category, and cleanliness is maintained, ensuring that production can be carried out, a reasonable inventory is maintained, and tool care is improved.

(5) Management of measurements. All measuring devices must be regularly inspected to make sure they are true. They must be used correctly, put away properly, kept clean, and not damaged.

5. Strict discipline.

(1) Strict and impartial labor discipline. There must be strict storage regulations and storage discipline for warehouses, as well as inspection regulations. The work attitude of staff members and workers must be correct; they must abide by regulations and observe discipline; diligently perform their duties, work actively, and have good production and work procedures.

(2) Strict and impartial operating discipline. All operating systems must be complete and flawless, and they must be effectively enforced in staff members and workers actual work.

(3) Strict and impartial safety discipline. The safety alertness system and operating regulations must be observed, safe production responsibility systems put in place at all levels, and certification required before taking positions where special kinds of work are performed. All positions must adhere to safety in production, eliminating hidden dangers that cause accidents.

(4) Strict and impartial service discipline. The *Storage Service Regulations* must be fully implemented for the building of an effective premium service supervisory and guarantee mechanism. In addition, suggestion boxes and suggestion books are to be placed in the work place, and a supervision telephone number made available. Genuinely feasible measures for correcting "unhealthy tendencies in firms" should be established as the character of the firm warrants. Effective actions are to be taken to correct and punish various kinds of "unhealthy tendencies in firms" so that the owners of goods will be satisfied with service quality.

6. Accurate Information

(1) Complete information organization. An information management network that has an information center as its hub is to be set up, an information management system put in place, and a clear-cut information flow chart provided for the collation, analysis, processing, and filing of information, as well as for reporting information variously to higher authorities in the preliminary implementation of computer management.

(2) Prompt work place feedback. A comprehensive testing criteria system for work place management should be set up that is able to provide prompt feedback, process, and control all kinds of work place information and data.

(3) Solid basic work. All categories of professional statistical reports and tables are to be prepared scientifically and rationally, the statistics being complete, and the system closed. Raw notes, documents, reports and tables, bench sheets, cards, and such data from professional work are to be complete. They should be error free and the data in them accurate. They should be filled in a standard way, the handwriting neat, and their appearance clean. They are to be forwarded promptly, bound into booklets, and properly cared for.

Article 4. This regulation becomes effective on the date of printing and distribution.

Article 5. All jurisdictions may use the provisions of this regulation as a basis for drawing up specific detailed regulations that meet the realities of their own area or unit.

MOFERT Work Place Management Regulations
92CE0454A Beijing GUOJI SHANGBAO in Chinese
18 Apr 92 p 2

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Trial Standards for Foreign Economic Relations and Trade Import-Export Enterprises' Work Place Management"]

[Text] **Article 1.** This trial regulation has been drawn up specifically to give impetus to foreign economic relations and trade import-export enterprises throughout the country in effecting complete control of the work place for the building of a fine, ordered work environment to make work place management more scientific and more standardized over time, with optimization of the work place spurring optimization of the entire enterprise in turn.

Article 2. This trial standard applies to all import-export enterprises engaged in foreign economic relations and trade nationwide (excepting constituent industrial enterprises, warehouses, and other independent accounting units).

Article 3. Work place management in foreign trade import-export enterprises is the organic combination, the implementation, and the overall embodiment of both basic management and professional management in the work place. The primary ingredient in such management is the use of scientific management systems, marketing flow, standards, and methods to effect a rational allocation of the main elements of productivity to the work place, planning, organizing, coordinating, and controlling effectively the entire operating process so that manpower, materials, and information flow rationally and operate very effectively in order to achieve the goals of premium quality, low consumption, and the improvement of economic returns.

Article 4. The work place of foreign trade import-export enterprises consists of the place where business is conducted, where work is done, and where people live. This trial standard applies primarily to the place where business is conducted, including both the import-export business work place and auxiliary business work places.

Article 5. Basic Requirements for Import-Export Enterprise Work Place Management:

TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment

25

I. Orderly Administration

(1) Centralized Business Direction

1. All contract norms, operating goals, and evaluation standards must be broken down for assignment to departments, offices, sections, teams, and individuals, and a system for evaluating rewards and punishments must be devised.

2. Market surveys must be organized and planned to provide regular forecasts and analyses of major import-export commodity markets, and to offer plans and actions for the consolidation of old markets and the opening of new ones.

3. The levels of decision making for marketing must be sharply delineated, functional authority clear-cut, and command centralized.

4. All departments must have comprehensive annual plans that provide for total balance between commodity imports and sales, and between stocks on hand and orders. Plans should be drawn up for ordering from different suppliers, and for staggering the use of funds for imports over different years, quarters and months. Foreign trade plans should be drawn up to order from different countries and territories, for commodity exports (and imports), for the collection (and use) of exchange, and for foreign exchange costs (prices), as well as for regulations and methods for coordinating, examining, and revising all plans.

5. Efforts should be made to extend norm control to labor, funds, costs, materials consumption, and expenses concerned. For all positions amenable to quantitative assessment, clear-cut quantitative assessment methods should be drawn up.

6. Every phase of the marketing business and ancillary business must be given close attention, and methods and systems must be drawn up for their integration and cooperation.

(2) Optimization of labor organization

The organization of labor must be in keeping with needs of the business operating mechanism and the development of marketing. Levels of organization must be clear-cut, the division of labor must be equitable, and personnel staffing must be in keeping with requirements for organic unity, competence, and excellence. Personnel management requires a system for bringing in people from elsewhere, for training, for stimulation, and for limitation.

(3) Select Work Place Personnel

A system is needed for the training of various kinds of personnel, both before they occupy a position and on the job. People in key positions must meet required professional standards. Personnel who deal with the outside world—primarily foreign marketing personnel—must be familiar with the party's and the state's foreign trade plans and policies. They must possess a level of foreign trade and language capability consistent with their duties; they must have an understanding of special commodities and must be familiar with foreign markets and customers; they must

have a fairly broad knowledge of international affairs and be fairly well versed in negotiating skills.

(4) Clear-cut Position Functions

Well-developed position responsibility systems must be put in place at all levels and for all positions. Standards regarding the scope and quality of work in each position must be drawn up, and assessment methods must be specific and spelled out.

(5) Orderly Document Circulation

1. Commodity circulation diagrams must be drawn up; the form and substance of the various kinds of business documents that circulate internally must be regular, circulation must be systematic, and the flow must be swift and orderly. Stock, account books, and stock cards must tally with one another.

2. Specific procedures and follow-up handling methods must be devised for the signing of various business contracts—import-export contracts for the most part—for progress in their fulfillment, for changes, cancellations, resolution of disputes, and for the maintenance of files.

3. Procedures, limits of authority, time limits, and file check procedures must be prescribed for the receipt, processing, transmittal, countersigning, and release of various kinds of business correspondence (both letters and electrical communications), documents, and materials.

4. Specific systems or procedures must be devised for the receipt, examination and approval, and amendment of letters of credit and negotiable securities; the drawing up and issuance of documents for internal circulation, as well as the preparation of final settlement documents. Specific procedures and methods must be set up for import-export license applications, use, and registration.

5. The use of computers in document work must be accelerated to take the place of manual labor.

(6) Economically Feasible Inventory

The amounts of commodities and various raw and processed materials in inventory must maintain economic feasibility as the scale of imports and exports and benefits goals warrant.

(7) Lowering Various Kinds of Consumption

A stimulation and self-limiting mechanism must be built to accelerate the circulation of funds and to increase the liquidity of funds, accounting by sections and small groups promoted, and methods devised to estimate and control export costs before sales, thereby lowering payments for commodity circulation expenses and management fees, promptly recovering payments for goods, and eliminating bad accounts and bad debts.

II. Strict and Impartial Discipline

(1) Discipline in Operations

1. Operating procedures or work regulations for all kinds of operations in the work place must be fairly complete, and

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

their content must be specific and well-defined. Additionally, work standards, management standards, and technical standards must be drawn up and put into effect.

2. Quality standards must be met before personnel are allowed to fill key positions in all departments.

(2) Labor Discipline

1. A system of labor regulations that is fairly complete and rational, specific, and clear-cut must be devised and strictly enforced.

2. Hours of work and operation must be observed; late arrivals and early departures without cause not permitted. During work hours, personnel must be at their stations, must work hard, must not visit personnel in other positions, must not leave their posts without authorization, must not create noise or commotion, must not gather in groups to chat, and must not work on personal tasks. When they go off duty, personnel should clean up their desks, equipment, and the surrounding area.

(3) Foreign Affairs Discipline

1) In direct dealings with foreign traders, personnel are to strictly observe regulations regarding foreign contacts and the system that requires making requests for instructions and reporting back. They are to enforce policies strictly, adhere to principles, clearly distinguish between "we" and "they," heighten vigilance, and strictly observe secrecy provisions.

2. In discussions with foreign traders, they must be modest and prudent, must be neither supercilious nor obsequious, must act in a cultured and courteous fashion, and must show concern for their mode of dress and appearance.

3. They must not drink excessively; they must avoid lewdness; and they must not secretly accept gifts or money.

4. Personnel returning to China with small groups that have gone abroad or have taken part in trade fairs must prepare a written report. They must keep good notes on their discussions with foreign traders.

(4) Discipline in Transacting Official Matters

1. Personnel must strictly abide by national and enterprise security regulations, strictly adhering to all enterprise work systems and discipline.

2. Personnel should adopt a cordial, friendly, cultured, and courteous attitude toward personnel in units with which they are working. In the performance of their work, they should not delay, dawdle, or wrangle without reason.

3. Personnel must not abuse their official position and relationships for personal gain. They may not personally accept, use, or give gifts and samples.

4. Suggestion boxes and books should be set up at appropriate places as a means of accepting supervision from other departments and outside units. Suggestions must be promptly handled and actions reported back to those who have made the suggestions.

(5) Democratic Management

Major decisions should be democratically made in order to cement relations between cadres and the masses. Staff members and workers should take active part in democratic management, and the suggestion process should be made rational. Staff members and workers should be highly conscious about the observation of discipline, should be unified, and should help each other.

III. Service Requirements

(1) Premium Export Commodities

1. Quality goals and standards that meet foreign market customer requirements should be spelled out.

2. Quality management organizations should be well-developed; all personnel should have a strong consciousness of quality; and quality control and quality responsibility regulations should be strictly enforced.

3. Quality management and control throughout the process of importing and selling commodities must be clear-cut and effective. Measurements and inspections must be accurate and scientific.

4. Effective measures and methods for follow-up on customer satisfaction after the sale must be devised, with service after the sale provided promptly and well.

5. Plans and measures are needed for the development of new commodities, new styles, new specifications, and new kinds of articles.

6. Trademarks should be registered promptly; legally prescribed documents should be complete; and they should cover everything needed to develop marketing.

(2) Superb Marketing Service

1. Time limits should be set for the processing of business correspondence. Replies should meet style requirements; content should be forthright, presented in an orderly way, and clear; the text should read coherently; and the handwriting should be clear and free from mistakes.

2. Discussions with foreigners should be planned, organized, well-prepared, have a goal, observe discipline, and provide feedback to improve customer relations.

3. Specific requirements should be set regarding advertising and propaganda, mailing of samples and quoting of prices, and acting promptly in providing service before and after the sale.

4. Foreign contract provisions should be rational and complete, the content accurate and specific, and the appearance neat and free from alterations.

5. Goods must be delivered promptly; transportation should be quick and safe; and a high rate of honoring contracts should be maintained.

6. Ship loading exchange settlement documents must be filled out in the standard way, carefully, neatly, and clearly, and they must be forwarded with alacrity.

7. Objections about quality and claims from foreign customers must be handled promptly, in accordance with

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

procedures, a record must be made, and the incidence of indemnification steadily lowered.

(3) Fine Cooperation Between Trade and Industry (Trade and Science, and Trade and Agriculture)

1. Stable bases for the supply of goods should be established on the principle that the international market drives the organization of sources of supply.

2. Contact with industrial (agricultural, and technical) production units should be pursued actively, aggressively, and regularly, and information should be exchanged to spur production units to improve quality and to deliver goods on time, at the specified quality, and in the agreed-upon quantity to assure good cooperation.

3. Management methods apply to enterprises operating outside China and to partnership enterprises.

4. Economic contracts must be standardized, and responsibilities must be defined and fully carried out.

5. Production units should be encouraged to import sophisticated technology and management experience in the interest of promoting an increase in product variety, color, style, modernization, and quality.

6. Coordination with commodity inspection, shipping, banking, and customs units is necessary.

IV. Accuracy of Information

(1) Completeness in the Organization of Information

1. Various kinds of information management systems should be set up, perfected, and incorporated in a comprehensive information management network in which the corporation's information center serves as a hub.

2. Information flow charts must be scientific and rational, and market conditions and business must be tightly linked.

3. Development of the use of computers in data processing is necessary, with the coordination of hardware, software, personnel, and management methods.

(2) Solid Performance of Basic Work

1. Orderly, standardized collection, processing, transmittal and storage of the influx of information from various outside sources is needed.

2. Original records, bench sheets, cards, and reports and tables for all professional work must be fairly complete, their content must be intact, and the data must be accurate. They must be filled out in a standard way, be neat in appearance, be transmitted rapidly, be orderly, bound into booklets, and easily retrievable.

3. Professional statistical data must be complete, clear, accurate, and timely.

(3) Rapid Feedback of Work Place Information

All information from day-to-day correspondence, discussions abroad, groups going abroad, trade meetings, and fairs, as well as information on market and customer activities, fulfillment of contracts, and fulfillment of business

plans must be reported in a prompt and timely fashion, must be correctly handled, and must be used systematically.

(4) Standard File Management

All documents, data, and professional information should be placed in files. Categories should be clear, the material should be arranged neatly, should be well-maintained, should be easily readable, and should be managed in a standard way. Security and safety must be provided for classified documents.

V. Neat and Tidy Environment

(1) Rational Layout

1. All offices, conference rooms, discussion rooms, recreational areas, and living areas, as well as safety, water and electric power, communications, and propaganda and educational facilities must have a fairly rational overall layout. They must be best suited to the activities for which they are intended, must help work place contacts with the outside world, and must meet safety requirements.

2. The internal layout of offices and other spaces must be orderly. They should be equipped with tables and chairs, cabinets, essential articles, lights, electric ceiling fans, hot water bottles, and clothing racks which have been arranged according to a placement diagram.

(2) Tasteful Environment

1. Roads and passageways in all work spaces and living areas must be free from clutter, cabinets and chests, piles of items, parked vehicles, and unnecessary structures.

2. The placement of horizontal banners, slogans, notice boards, blackboards, diagrams and tables, propaganda and education displays must be appropriate and permanent, eye-catching, tidy, tasteful, and up-to-date.

3. All equipment, implements, fire protection devices, and vehicles must be stored in their proper place, and each place must be marked.

4. All doors, windows, walls, floors, cabinets, tables and chairs should be in good repair. There should be no random posting of bills, graffiti, nailing, hanging, or drawing of lines on walls. Green spaces should be maintained as circumstances permit.

(3) Cleanliness and Sanitation

1. All work spaces and living areas, as well as passageways, corridors, and display windows should be bright, the walls tidy, and the floor clean. All office tables and chairs, cabinets, commonly used articles, lamps, electric ceiling fans, hot water bottles, and clothing racks must be kept clean and dust-free.

2. Washrooms must be cleaned daily, kept clean, sanitary, and free from unpleasant smells, refuse, and filth and waste water.

3. Waste paper, trash, and garbage should be placed in fixed locations away from the surrounding area for daily removal and clean up.

(4) Clear Signs

TRADE TRANSPARENCY: MOFERT's Third Set of Regulations of Foreign Trade and Investment

1. Sign Layout: At the entrance to corporations and on each floor of multi-story buildings, a schematic diagram or instruction board showing all departments, administrative and technical offices, and corridors, as well as expressions of gratitude should be located in suitable places.

2. Departmental Signs: All departments, administrative and technical offices, outdoor areas, and living facilities should be marked with different types of eye-catching signs.

3. Safety Signs. Fire fighting equipment, electric power facilities, gas lines, detection equipment, and chemical materials should be marked with the different kinds of eye-catching safety warning signs as each requires.

(5) Tasteful Offices

1. Offices should be painted in tasteful colors. The work environment should be pleasant. Personal belongings that cause clutter should not be placed in offices.

2. Documents, invoices, inventory cards, and similar items should be arranged by category in office cabinets, on desk tops, or inside desks where they are easily accessible, protected from dirt, and are kept from becoming disorderly, lost, or released to unauthorized individuals. Items not related to office business should not be kept on desk tops.

3. Office personnel should dress neatly and tastefully. They should deal with people in a cordial manner and show good spirits.

4. All offices and contract areas should set up a duty inspection system for safety, fire prevention, sanitation, and hygiene and should keep records.

VI. Equipment in Good Condition

(1) Computers, fax machines, telex machines, copy machines, typewriters, and measuring equipment should be listed in ledgers and card files, and should be numbered as part of locator management.

(2) For all equipment, a management system should be set up for proper operation, assignment of specific persons to operate specific machines, and regular inspection and maintenance to maintain them in normal operating condition.

(3) Management systems or methods should be established for the use of fax machines, telexes, international long distance telephones, and programmable direct dial telephones.

Article 6. Corporation leaders and those in charge of management should regularly visit work places to contact the rank and file, to get an understanding of the current situations, to inspect, to provide guidance, and to coordinate work as required, providing timely solutions to real problems. At the same time, they should consciously and actively perform various services for the work place.

Article 7. Foreign economic relations and trade export enterprises throughout the country may use the spirit and requirements of these trial standards as they apply to their own enterprises to draw up detailed regulations or methods for work place management and evaluation in their own corporation.

Article 8. These trial regulations become effective as of the date of MOFERT printing for publication.

MOFERT 26 October 1991

Accounting for Processing Imported Raw Materials

92CE0454B Beijing GUOJI SHANGBAO in Chinese
16 Apr 92 p 2

[Article: "Ministry of Foreign Economic Relations and Trade (MOFERT) Temporary Provisions on Various Problems and Financial Matters in the Development of Processing and Assembling and in Medium and Small Scale Compensation Trade"]

[Text] To permit constituent MOFERT enterprises at all levels to be able to engage in processing, assembly, and medium and small scale compensation trade, the following provisions are temporarily made in accordance with State Council-promulgated *Methods for the Development of Foreign Processing and Assembly, and Medium and Small Scale Compensation Trade* (hereafter abbreviated to the New Article 22) regarding pertinent problems and the handling of finances in processing and assembly, and medium and small scale compensation trade.

1. The New Article 22 provides that, in processing and assembly transactions, primarily foreign traders provide a certain number of raw and processed materials, spare parts, and pieces of original equipment or, when necessary, they may provide certain pieces of equipment, which are processed or assembled by Chinese factories as the other party requires. The finished products are then turned over to the other party for sale, and China collects a processing fee. The money that foreign traders pay for the equipment they provide is repaid out of China's processing fees. Alternatively, a flexible method may be adopted whereby a price is set for both the raw materials that are delivered to China and the finished products shipped out of China, separate contracts signed for each, the Chinese party making a profit from the difference in prices. This difference in price becomes the processing fee out of which repayment is made for the equipment purchased. As another alternative, a MOFERT unit may sign a contract with a foreign trader to perform processing and assembly. Then factory production is organized, the MOFERT unit handling matters among various factories in a buying and selling relationships.

In the use of foreign exchange, if special foreign exchange is used to import most or all of the main materials, supplementary materials, and packing materials needed for processing and export of commodities, this is in the category of processing imported materials; thus, it must be regarded as normal import-export trade.

2. The New Article 22 says that medium and small scale compensation trade primarily means trade in ordinary light industrial and textile products, machinery and electrical appliances, local medium and small mineral products, and certain agricultural by-products outside of national key large scale compensation trade projects for which foreign traders provide technical equipment and needed materials for production in China, the products being used to pay for the

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

production. In principle, compensation trade requires payment of compensation in the form of the products. If other commodities are to be used to make compensation, approval by the State Statistical Bureau and MOFERT is needed for commodities under central government control. For commodities under local government control, the approval of provinces, municipalities, or autonomous regions is required.

If foreign trade corporations and constituent processing enterprises use the export of other commodities in inventory to offset the cost of imported equipment (such as vehicles and similar transportation equipment) or other commodities, this is in the category of barter trade and requires MOFERT approval. In addition, MOFERT and the banks must jointly give notice of the need to retain foreign exchange collected from exports for use in paying for the foreign exchange used for imports. Such transactions must be accounted for as normal import-export trade. When equipment is imported, the user unit and the renminbi funds must be verified in advance. If some funds are to be held for an enterprise's own use, more renminbi funds must be available; working capital may not be diverted for this purpose. Money that foreign traders pay for the purchase of imported equipment and materials may not be repaid by reducing income from export sales, nor may working capital be diverted for this purpose. The problem must be solved through the prescribed funding channels.

3. The New Article 22 "requires close economic analysis and cost accounting for imported technology and imported equipment to make sure that the compensation period is not too long and the amount of exchange earned is not too little, resulting in no profit or even a loss." Because exporting commodities involves the possibility of either a profit or a loss, when making application to engage in compensation trade, foreign trade processing enterprises should not solely seek increased foreign exchange without regard for the domestic cost of the products being exported. They must make both a foreign exchange accounting and a renminbi accounting.

4. Foreign trade corporations do processing and assembly for plants and enterprises both inside and outside the system, and they play the role of agents in making financial accounting for medium and small scale compensation trade. Apart from subsidies to make up for the difference resulting from preferential rates as prescribed, they do not bear responsibility for commodity price funds and all miscellaneous shipping expenses at the time equipment and raw materials are imported, or when finished goods are exported. These expenses are borne by the plants and enterprises. If foreign trade corporations have to advance expenses on behalf of factories and enterprises, the actual amount of payment is to be promptly settled by the plant or enterprise. Expenses that plants and enterprises incur in sending personnel abroad or to Hong Kong and Macao, and in receiving technical personnel of the other party are to be borne by the plant or enterprise. All expenses that industrial units incur in making foreign contacts or in acting as hosts abroad are to be borne by the individual units concerned. MOFERT is to be responsible for indirect expenses such as

post and telecommunications expenses and entertainment expenses for foreign contacts that foreign trade corporations are responsible for organizing.

5. In keeping with the provisions of the New Article 22, when a foreign trade corporation signs a contract with foreign traders to undertake processing and assembly, the subsequent organization of plants and enterprises for production is to be handled by the foreign trade corporation on a buyer and seller basis. In addition, when foreign trade processing enterprises engage in processing, assembly, and medium and small scale compensation trade, like other departments, plants, and enterprises, they are entitled to enjoy the provisions of the New Article 22. Foreign exchange retention and net income derived from processing and assembly is to be exempt from the payment of profits and industrial and commercial taxes for three years. During the period when equipment is being paid for on medium and small scale compensation trade projects, the enterprises are exempt from payment of taxes and profits. Special accounts are to be set up in banks for the deposit of retained foreign exchange, which is to be used mostly for the importation of needed technical equipment and raw and processed materials, and to pay for travel abroad to hold talks, for technology exchange, for the training of personnel, and for professional surveys. Exempted taxes and profits are to be converted to a special fund.

6. When foreign trade corporations sign external contracts or agreements with plants and enterprises, in addition to provisions pertaining to professional matters, clear provisions must be included about various financial settlement matters as follows:

- a) the form in which exchange is to be collected for processing fees;
- b) who is to bear responsibility for foreign currency shipping insurance fees or domestic insurance fees, if any; and
- c) the date when interest begins on payments for equipment that foreign traders have provided, and the time limit for deductions for repayment out of processing fees or compensatory export commodities, as well as methods to be used for serial repayment through deductions. Foreign trade corporations must also sign industrial and trade agreements or contracts with factories and enterprises. All contracts must be signed by a financial authority. A copy of signed contracts or agreements is to be provided to the financial authority to permit enforcement of pertinent financial settlement provisions in accordance with the contract or agreement.

In the pricing of principal raw and processed materials imported for processing, should the foreign trader require settlement for goods payments, only collection of payment over a long period of time, or a long-term letter of credit may be used as a means of settlement at the present time. The time limit for repayment will depend on when payment is received for finished exports, or a bank letter of guarantee may be used, handling to be in accordance with Bank of China regulations.

**TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment**

30

7. Processing Fee Income: According to regulations, a 2 percent foreign exchange handling fee is to be collected from the foreign exchange income of plants and enterprises in order to make up for the foreign trade corporation's payment expenses, this fee to be collected at the bank's posted price for the conversion of renminbi to foreign exchange. When the bank acts as an agent for a foreign trade corporation in the apportionment of a subsidy differential, this fee is to be deducted. The bank is to deposit the foreign exchange into the special foreign exchange retention account of the foreign trade corporation.

The foreign exchange processing fee is the net amount remaining following deduction of foreign shipping insurance fees and equipment payments from foreign exchange receipts. In accordance with current foreign trade accounting practices, when foreign trade enterprises act as import or export agents for other units, they are to charge separate import and export processing fees. In order to encourage the processing of imported materials and development of the compensation trade, a processing fee is now collected on exports only. When a plant or enterprise imports equipment or materials, no matter whether products are used as repayment or whether repayment is made through deductions from the processing fee, we regard this as an integral and inseparable part of the total processing of imported materials or the compensation trade business. Furthermore, because plants and enterprises already derive quite a few benefits from importing equipment and materials, such as exemption from customs duties, foreign trade corporations must collect an additional percentage renminbi processing fee from this compensation paid for the receipt of equipment or materials. When there is a subsidy differential, a deduction is to be made from the subsidy differential. When there is no subsidy differential (meaning when all products offset the imported equipment and materials and there is no collection of exchange to be settled), the fee is to be collected separately from the plant or enterprise. (Bank of China provisional measures for the collection of fees in China for all foreign exchange business also provide that, when the bank handles final settlement for processing, assembly, and compensation trade projects, but does not convert foreign exchange, it is to collect a .25 percent handling fee for unconverted final settlement, which means the same thing).

If compensation trade imports and exports are handled by two different foreign trade corporations, a certain percentage renminbi processing fee is collected on imports, and a certain percentage foreign exchange processing fee is collected on exports.

The foreign exchange processing fees that foreign trade corporations collect may be used, subject to provincial, municipal, or autonomous region foreign trade bureau approval, to import needed office equipment (such as copy machines, typewriters, and computers), as well as for trips abroad to promote sales and conduct surveys. Needed renminbi funds may be obtained through prescribed funds channels.

8. Handling of Financial Matters

a) All foreign trader-provided materials that are allocated directly to factories and enterprises are to be accounted for by the factories and enterprises themselves. When they must be allocated through foreign trade corporations, foreign trade corporations must improve management and accounting in accordance with the following regulations.

All foreign trader-provided materials and equipment are exempt from customs duties and industrial and commercial taxes at the time of import, nor are their prices to be hiked when they are allocated to industrial plants and enterprises.

When no price is given on imported materials that are not intended for sale when imported, the quantity should be calculated under the heading "Foreign Trader Imported Materials." Those that do bear a price are to be entered under the headings "Raw and Processed Materials in Storage," and "External Accounts Payable."

Foreign trade corporations may list production equipment provided to Chinese industrial plants and enterprises for which a foreign trader has quoted a price under the headings "External Accounts Payable," and "Domestic Accounts Receivable" in order to facilitate checking the status of industrial plant and enterprise repayment through deductions from processing fees for finished products exported.

b) Foreign trade corporations should set up a category titled, "Processing Compensation Export Sales" to keep track of income from processing fees. Processing enterprises belonging to foreign trade corporations should set up a category titled, "Processing Compensation Sales" to keep track of sales revenue and cost payments. When higher authority in the corporation collates reports and forms, it should merge the figures in the column under this heading into the figures under the allocations (within the province) heading. Total costs listed under the "Processing Compensation Export Sales" heading may be listed as the amount of export flow for calculations. Maohui [6319 2585] table 05 may be prepared by using actual shared commodity circulation costs. In order to simplify procedures, however, all directly confirmed costs may be directly recorded on the "Processing Compensation Export Sales" cost side. In order to realistically report the status of income, costs, and foreign exchange under this heading, those collecting processing fees must multiply by the previous days bank settlement of foreign exchange posted price, which is based on the net figure for foreign exchange from processing fees in the bank's settlement of exchange, entering these figures on both the debit side and the credit side under this heading. If equipment money is deducted from credit, the gross sales figure, deductions from the cost of equipment and imported materials, and actual sales receipts should be noted when making out a check. When making account book entries, however, only net receipt of foreign exchange should be calculated so as to avoid further readjustments after the original sum has been recorded.

When foreign trading corporations handle the forwarding of documents for the settlement of exchange, until such time as payment has been received, they may either prepare a memorandum or register the sum under a heading added to

TRADE TRANSPARENCY: MOFERT's
Third Set of Regulations of Foreign Trade and Investment

the form, entering the amount into the account books after the bank has actually settled exchange.

c) When a foreign trading corporation signs a contract with a foreign trader for processing or assembly, the subsequent organization of factory production can be done in one of two ways: 1) The foreign trading corporations can handle it with factories in a buyer-seller relationship. Raw and processed materials that it allocated to the factory are transferred from the column headed "Raw and Processed Materials in Inventory" to the column headed "Fixed Price Processing Sales" for calculation of profit realized, which can be transferred to "temporary receipts." Once the processed products have been exported, the cost figures may be reduced in turn as the percentage of exports increases. Processed finished products returned to an industrial plant or enterprise are accounted for under the heading "Export Commodities in Inventory." Should a factory want to independently calculate the ex-factory price of its products, in order to avoid a general rise and to simplify the handling of financial matters, the foreign trading corporation may also sell them to the factory at the original price of the foreign trader-provided materials on the principle of paying

nothing and making nothing. 2) A foreign trading corporation may also enter on the cost side of the category "Processing Compensation Export Sales" all of the raw and processed materials that plants and enterprises have been commissioned to process that have been appropriated to plants, as well as processing fees paid.

d) The odd bits and pieces of small equipment, tools, or matrices that foreign traders have provided may be paid for over a period of time out of deductions from payments from the sale of goods by foreign trading corporations at the prices stipulated in contracts. Items under the heading "Other inventory Commodities—Materials to Support Production" may be specially posted. When allocated to plants, they should be priced for inclusion under the "Internal Sales" heading. Should a foreign trader donate any of the foregoing materials to a plant or enterprise, the foreign trading corporation need not include them in accounting.

9. (78) Trade, Finance, Accounting Document [Mascai Kuaizi] [6319/6299/2585] No 248, *Temporary Regulations on the Handling of Financial Transactions For Raw Materials Imported for Processing or Assembly* is no longer valid.

MOFERT 10 April 1980

NTIS
ATTN PROCESS 103
5285 PORT ROYAL RD
SPRINGFIELD VA

2

22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.